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20 March 1984

WEST EUROPE REPORT

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COMMITTEE URGES REFORMS WITHIN FOREIGN MINISTRY

Helsinki HUFVUDSTADSBLADET in Swedish 27 Jan 84 p 16

[Text] The administration of foreign trade should be reorganized and the handling of Nordic cooperation matters made more efficient, according to a committee that has studied the need to improve the Foreign Service. The committee submitted its proposals to Minister of Foreign Affairs Paavo Vayrynen on Thursday.

In its report, the committee also speaks in favor of strengthening the Administrative Department of the Ministry of Foreign Affairs, among other things. The committee, which did its work under the direction of Chief Director Ulf Sandqvist, is also recommending that the post of minister of foreign trade be made permanent and that the minister be transferred from the Ministry of Trade and Industry to the Ministry of Foreign Affairs.

The report also says that more positions should be created in several departments in the UM [Ministry of Foreign Affairs]. At the same time, the UM's Political Department should have its own unit for Nordic cooperation matters. Two dissenting opinions are attached to the report. The two dissenting members feel that it is preferable not to increase the staff and that it should be possible to implement the reforms without creating any new positions.

Foreign policy and trade policy are so closely related that it cannot be considered practical to split them up into different government departments, says the committee, and it recommends that the Ministry of Foreign Trade be subordinate to the Ministry of Foreign Affairs. This means that no separate Ministry of Foreign Trade would be needed.

The report also recommends that a third deputy head be assigned to the UM's Trade Policy Department. Responsibilities could then be divided up in such a way that one deputy head would be responsible for trade with the West, another for trade with the socialist countries, and still another for trade with the developing countries, relations with UN economic organizations, and energy matters.

The report also discusses ways to make work more efficient in the department in general: the government's Foreign Affairs Committee should intensify its work and begin meeting more regularly than heretofore.

Nordic Matters

Nordic cooperation matters should be centralized in one unit within the UM, says the report. The official assisting the minister in charge of Nordic cooperation should be assisted by an embassy counselor in the UM's Political Department.

The committee feels that there are deficiencies in the current cooperation system, and it draws attention to the fact that there has been a lack of temporary-staff officials.

The committee also recommends that the UM's present press and cultural center be upgraded to a separate department within the ministry.

According to the report, a special program for personnel should also be drawn up for the Foreign Service, which currently employs nearly 1,900 people.

According to the committee, one of the biggest shortcomings concerns the structure of the Service. Personnel must be given greater opportunities to advance in their service careers. Motivation must also be increased, and more opportunities for training must be provided than has been the case so far.

The previous committee on the Foreign Service submitted detailed recommendations in 1974 on how the Service should be improved. The present committee does not do so, but it notes briefly that Dublin, for example, does not have a Finnish Embassy and that the situation in the Middle East ought to be considered in connection with the embassy in Beirut. An embassy in Namibia should be established immediately when that country becomes independent.

Roving Ambassadors

The committee also says that the Ministry of Foreign Affairs should try out a system of so-called roving ambassadors in West Africa and Central America. An ambassador of this kind would be stationed at the UM in Helsinki but would travel regularly to several capitals within a limited area.

11798

CSO: 3650/119

PAPER WARNS OF EXAGGERATING KOMISSAROV LETTER

Helsinki HUFVUDSTADSBLADET in Swedish 24 Jan 84 p 2

[Editorial by Rafael Paro: "Clash Among our Experts"]

[Text] The debate among peace researchers, supporters of disarmament, and military experts in our country is in the spotlight following the latest article by Yuriy Komissarov. The danger is that exaggerated conclusions will be drawn both from the article and from its assessment by the experts, emphasizes Rafael Paro.

The article by the Soviet writer with the pseudonym Yuriy Komissarov that appeared in HELSINGIN SANOMAT on 15 January provoked a great many reactions in our daily press. It remains to be seen what the effects on our decisionmakers have been. But it should be possible to pick up a few clues concerning the feeling among Finnish experts.

In a column on the cultural page in Sunday's HELSINGIN SANOMAT, it was stated that Komissarov had driven a wedge deep into the small group of researchers who daily concern themselves with international issues related to Finnish security policy. The newspaper mentioned six of those experts by name and noted that the atmosphere has become poisonous, to put it mildly. On one side we have Prof Jorma K. Miettinen, who heads the Radiochemical Institute, special researcher Paulo Jarvenpaa of the Ministry of Defense, and Lt Col Gustav Hagglund, secretary general of the Defense Council. Named as being on the other side are Raimo Vayrynen, professor of political science at Helsinki University, Associate Prof Tapio Varis, head of the Tampere Peace Research Institute (TAPRI), and that same institute's special researcher, Pertti Joenniemi, who holds a license in political science. Also part of the latter group, according to the column in question, is a "publicity-shy person in an influential position who is not the president of the republic." If the person in question is not Head of Division Jaakko Kalela, one wonders who else it could possibly be.

Although we should not stare too fixedly at just the individuals named, there is unquestionably reason for the statements about certain strong differences of opinion. Even the starting points for those groups are different. For the so-called peace researchers, the political aspects are quite naturally a very important starting point. The other group, which could be called the group of

military experts, talks more about "hardware"--present and future weapons systems and their usefulness. It is scarcely an exaggeration to say that the expert knowledge possessed by both groups holds up very well in international comparisons. In Finland, people in those circles stay well abreast of their times.

What seems to have happened is that Yuri Komissarov's article and perhaps some previous Soviet positions have caused the military experts to withdraw into their shell. Their technical data and assessments do not agree entirely with Komissarov's analysis of security policy. Available technical data speak one language, while Komissarov's analysis speaks another. This applies, for example, to the question of the cruise missiles as first-strike weapons. Opinions also differ as to the trajectories that the U.S. cruise missiles, which according to NATO's two-track decision in 1979 are to be deployed in West Europe, might follow.

What it all comes down to is that we are dealing with a large number of theories, hypotheses, and speculations, plus a great deal of information and misinformation. No outsider can say with certainty how the trajectories of the cruise missiles may be programmed.

From the standpoint of Finnish politics, it is worth nothing that the phalanx of Finnish peace researchers, with primarily Social Democratic but also People's Democratic elements, is again being supported by Komissarov in saying that it is now a matter not of being hypnotized by individual technical factors but of looking at the long-term prospects for European security. The last time the peace researchers in our country and Komissarov found one another was in the big debate several years ago on how to interpret the military articles, the threshold for consultation, and so on in the Treaty of Friendship, Cooperation, and Mutual Assistance.

In Sunday's edition of HELSINGIN SANOMAT, Pertti Joenniemi was interviewed along with a military expert, Matti Viitasalo of the General Staff's Institute of Military Sciences. Viitasalo sticks to the traditional line: our defense forces have a preventive role to play in deterring crises affecting Finland while at the same time supporting our foreign policy.

Joenniemi says, it is true, that wars and their causes must be abolished before weapons are done away with. But he also emphasizes that it no longer pays to give prominence to defense policy. "Defense policy does not help us find answers which would work in a politically positive way for Finland both in the East and the West and which would also preserve today's unity among Finns on the subject of security policy." Joenniemi also says that only political means are left now! "To use them, the foundations of foreign policy and security policy should be reshaped." But here we come up against the counterquestion of whether the reshaping proposed by Joenniemi will itself be able to preserve the prevailing unity among Finns on the subject of security policy.

Pertti Joenniemi is putting forward the thesis that he has also allowed to be glimpsed in other connections: that a war with conventional weapons on Finnish territory is extremely improbable. Nor does he believe that war with nuclear

weapons is particularly probable, "but it is clearly more probable than a conventional war."

Joenniemi provides the clearest frame of reference for his viewpoint in his response to the question of whether a state can exist without a basic defense force--would not Finland become a so-called military vacuum? He points out that Aland, for example, is already a military vacuum for all practical purposes but that the province managed extremely well through two world wars. Foreign powers are not likely to demand a rearmament of Aland, Joenniemi says.

On that point, peace researcher Joenniemi does not pretend to be interpreting Komissarov. But the question arises: is it believed here and there in our country that what Moscow wants is a demilitarized Finland? Have nuclear weapons so changed our part of the world that that sort of transformation of the foundations of our country's foreign and security policies is now needed?

There is no need to ask either Komissarov or Moscow to learn that the answer is no.

11798

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RIVAL CP FACTIONS JOCKEY FOR POSITION AS CONGRESS NEARS

Moderates Ranks in Disarray

Helsinki HELSINGIN SANOMAT in Finnish 2 Feb 84 p 9

[Article: "FCP Made Unaccomplishable Decision on Suspended Party Sections"]

[Text] On Wednesday the Politburo of the Finnish Communist Party (SKP) made an unaccomplishable decision after two votes on the right of the party sections suspended from the Lapland and Helsinki districts to participate in preparations for the SKP congress.

The Politburo, which directs the party's practical work, decided to recommend that the two party sections suspended from the Lapland District be given the right to nominate candidates for the election of representatives to the congress and to vote in the election.

This recommendation decision came about after a vote. Chairman Jouko Kajanoja's and the party's Taistoite minority's proposals were placed opposite each other. The result of the vote was an even 4--4 -- the chairman's vote broke the tie.

The minority proposed stronger wording, according to which the Poliburo would have "confirmed" that the suspended districts have the right to participate in the preparations for the congress.

Majority in Disarray

The vote once again caused confusion within the majority front, since within the majority Arvo Kemppainen and Helja Tammisol abstained and First Secretary Arvo Aalto, Aarno Aitamurto, and "Kajanoja follower" Tutta Tallgren supported Kajanoja's proposal, which won.

Aalto's and Kajanoja's proposals were placed opposite each other in the first vote. Aalto proposed that the Politburo change the decision adopted last December, according to which the suspended sections will not be given the right to participate in preparations for the congress.

Aalto's proposal was defeated in practice by a vote of 6--5 since Saarinen, who was absent, declared in writing that he will support Aalto. Kajanoja and Tallgren voted with the minority.

In December the Politburo decided by a vote of 5--4 that there is no reason to give the suspended sections the right to nominate and vote for candidates. Kajanoja and Tallgren jumped on the minority's bandwagon at that time and the minority was defeated only for the reason that two of their representatives were absent. The minority immediately demanded a reconsideration of the decision.

The dispute goes back to the parliamentary elections last March when the majority-controlled Lapland District suspended the party sections of Hakala and Viirinkangas which supported minority member Esko-Juhani Tennila.

Tennila was elected to parliament outside of the elections lists. The disputed sections have not, however, been suspended from the party.

Two More

The Politburo increased the number of representatives to the congress to be elected from Lapland by one. As a counterweight the Politburo also recommended that the SKP's Ahvenanmaa Section be given the right to participate in the preparations for the congress in the elections of the minority Turku District Organization or in actuality to elect one additional representative.

These additions will not change the power relationships at the 20th Congress in May. There will be a total of 347 representatives, among whom there will be 196 members of the majority and 151 members of the minority.

The minority was satisfied with this unaccomplishable decision since it is expected that the Lapland District will ignore the recommendation, at which time it will be easy to accuse the district of a failure to carry out the recommendation. At the same time it is considered that the recommendation will protect Kajanoja from majority criticism since majority leader Aalto took the same position as the chairman in the decisive vote.

The dispute regarding the sections suspended from the districts will probably continue at the next meeting of the Central Committee at the end of February and possibly even at the congress itself. Taken to the extreme it could even result in legal actions.

A similar dispute took place in the SKP in 1969, for example, when more than ten majority sections resigned from the Turku District Organization and elected their own representatives to the congress. The sections which seceded were, however, included in determining the number of representatives from the district. As a compromise measure the representatives of the sections which seceded were given the right to speak and make motions at the congress, but not the right to vote.

On Wednesday the Politburo discussed the draft of the SKP's energy policy position and submitted it for organizational debate. The position will be adopted in April.

In the draft it is considered that there is no need for a new large power plant at this time. But if a need should arise later, the draft considers nuclear power as the best solution and proposes that a power plant be procured from the Soviet Union.

Compromise on Newspapers' Funding

Helsinki HELSINGIN SANOMAT in Finnish 3 Feb 84 p 11

[Article: "SKDL Reaches Agreement on Distribution of Press Subsidy"]

[Text] After protracted mediation talks the SKDL [Finnish People's Democratic League] press has reached a unanimous decision on the distribution of its press subsidy. There was a dispute between the movement's primary newspaper KANSAN UUTISET and the provincial newspapers with respect to the subsidies that were trimmed as a result of the defeat in the parliamentary elections.

The work group which deliberated the distribution of funding came up with a compromise solution, according to which it was decided to issue the subsidy in a 2-year instead of a 1-year allotment. The SKDL's Executive Committee approved this decision.

According to the compromise, KANSAN UUTISET will receive a full 63 percent of the press subsidy this year and 58 percent next year. In past years the share given to KANSAN UUTISET has been approximately 61 percent.

It was decided to make KANSAN UUTISET's share heavier in the beginning, which will give it time to adapt to gloomier economic prospects. Correspondingly, the provincial papers will lose a little of their share this year, but will gain more next year.

Dispute Over Proposal

The League of Democratic Publishers (DKL) proposed at the end of last year that the press subsidy for KANSAN UUTISET should be kept as before, which would have drastically reduced the share allotted to the provincial papers.

The provincial newspapers raised quite a fuss over the DKL's proposal and demanded the distribution of funding in the previous manner, which would have dealt a serious blow to KANSAN UUTISET. The DKL's proposal would have seriously affected the funding for KANSAN TAITO, KANSAN AANI, and SATAKUNNAN TYO.

Last year KANSAN UUTISET received approximately 9 million markkaa in parliamentary press support and transportation subsidies. The distribution of funding for this year has not yet been determined, but the amount for KANSAN UUTISET will be slightly less than last year.

Among the SKDL's district newspapers the "axing policy line" KANSAN TAHTO in Oulu will receive a full 13 percent of the parliamentary press subsidy, HAMEEN YHTEISTYÖ in Tampere and KANSAN SANA in Kuopio will receive a full 6 percent, Pori's SATAKUNNAN TYÖ a full 5 percent, and KANSAN AANI in Vaasa a little less than 4 percent, and the Swedish-language NY TID will receive a full 1 percent.

The distribution decision will trim the press subsidy for provincial newspapers this year by approximately 15 percent at the most. Last year the amounts received were between the 2 million markkaa for KANSAN TAHTO and the .5 million markkaa for KANSAN AANI. The shortfall will be given back to them next year.

The loss of eight seats in parliament in the last parliamentary elections reduced the subsidy for SKDL newspapers by approximately 2 million markkaa. At least 80 employees have been dismissed from the newspapers as a result of this.

Congress Handed Newspaper Dilemma

Helsinki HELSINGIN SANOMAT in Finnish 16 Feb 84 p 13

[Article: "SKP Will Not Accomplish Cessation of TIEDONANTAJA"]

[Text] The Communist Party's long lamented press decision, which would determine the fate of the weekly paper YHTEISTYÖ and the minority's organ TIEDONANTAJA, is being postponed.

The work group deliberating the press decision is supposed to present a proposal on the merger of YSTEISTYÖ and TIEDONANTAJA to the Central Committee, which will meet at the end of February. However, it is expected that the question will be postponed until the congress in May.

On Wednesday the press work group submitted to the SKP Politburo a preliminary summary, which does not contain a proposal for suspending the operations of TIEDONANTAJA. The issue will come again next week.

In the fall the SKP Central Committee decided that the congress should be given a proposal on the merger of YHTEISTYÖ and TIEDONANTAJA into a party newspaper appearing four times a week.

Since then the majority has been ever more vocal in demanding that YHTEISTYÖ be kept as a weekly paper and in stating that nothing will come of a new paper without the cessation of TIEDONANTAJA. The minority, on the other hand, has made it quite clear that TIEDONANTAJA will not be terminated.

The SKP is presently in the process of preparing for the election of representatives to the congress, for which the nomination of candidates will conclude this week. The number of representatives elected to the congress will be 347, among whom 196 will belong to the majority faction and 151 to the minority. The key question at the congress will be the degree of unity which

can be achieved by the majority faction. The content of the press decision will also depend on this.

Chairman Jouko Kajanoja, who is performing a balancing act between the factions, has estimated hopefully that the party will come up with a press decision which will include the cessation of TIEDONANTAJA without any complications.

Rautee Left on The Sidelines

SKP Education Secretary Erkki Rautee has been left on the sidelines in the nomination of candidates to the congress. Rautee missed the nomination by one vote in the elections of the Ita-Pasila Section of Helsinki District, which is under the tight control of the party's majority.

Rautee criticized former Chairman Aarne Saarinen of the SKP in a newspaper interview and demanded that he withdraw from public life. Arvo Kempainen, the leader of the so-called axing policy line, answered Rautee with strong words.

In the newspaper interview Rautee was satisfied with Kajanoja's performance and considered that the cessation of TIEDONANTAJA will not occur since this would irritate the minority. It is assumed that Rautee was left on the sidelines because the Helsinki District has demanded that only "reliable" members of the majority be elected to the congress.

Moderate Leaders Attacked by MP

Helsinki HELSINGIN SANOMAT in Finnish 18 Feb 84 p 8

[Article: "Turpeinen Criticized Kivisto and Aalto"]

[Text] MP Pirkko Turpeinen, who is numbered among the SKDL's "followers of Kajanoja", is criticizing SKDL Chairman Kalevi Kivisto for interfering in the internal affairs of the SKP.

In an interview published in the SKP minority organ TIEDONANTAJA Turpeinen states that Kivisto has not exhibited solidarity with the joint decisions of the SKDL ever since he was not able to push through his own demands with respect to the SKDL's alternative budget last fall.

Turpeinen emphasized on Friday that Kivisto's conduct has influenced the affairs of the Communist Party. Kivisto is not a member of the SKP. Turpeinen is also not satisfied with SKP First Secretary Arvo Aalto's proposal regarding the return of the SKDL to the government after the municipal elections.

Turpeinen is considered to be a member of the SKP's traditional majority, but in recent times the traditional division has become blurred and a group of "Kajanoja's followers" wanting to dissociate itself from the factional division has become separate from the majority. The prominent name in this group is SKP Chairman Jouko Kajanoja. No visible split at least has taken place in the Taistoite minority.

In Turpeinen's opinion the Taistoite minority has until now been treated as a spittoon. The SKP leadership does not reflect the aspirations of the rank and file and it is not sufficiently capable of cooperation, stated Turpeinen on Friday in the parliament.

Turpeinen, Inger Hirvela (Communist), and Ulla-Leena Alppi (Communist) recently voted with the minority in deciding to expand the SKDL's parliamentary faction committee. The majority was defeated by a vote of 11--10. Minority member Irma Rosnell was elected to the committee.

10576

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SOCIALIST DECENTRALIZATION: COSTS, EFFECTS ON GOVERNMENT

Paris REVUE FRANCAISE DE SCIENCE POLITIQUE in French No 6, Dec 83 pp 962-986

[Article by Francois Dupuy and Jean-Claude Thoenig: "The Law of 2 March 1982: from Text Analysis to the Initial Steps"]

[Text] Decentralization of public administration is considered to be one of the main planks in the campaign platform that brought the Left to power in 1981.

This reform was set in motion by the law of 2 March 1982, which, observers agree, is a political and institutional milestone.¹ The government wanted to hit hard and fast; it thus drew up a three-phase strategy: first, the distribution of powers between administrative authorities and their subordinates would be reexamined; second, many important areas of authority would be shifted downwards; third, the new administrative units would be given the finances necessary to exercise their new duties.

The plan is now under way and will probably take a long time: the work involved is so great that the legislation will probably take several years to draft. ;.

At the moment, however, two sets of observations may be made; they are different in nature, but together they may help clarify a discussion and process that are at present striking by their seeming confusion. The first set of observations have to do with the actual situation affected by the decentralization laws. The second set deals with the implementation of the initial concrete acts, i.e. the signing of agreements between the commissioners of the Republic and the presidents of the General Councils.

Centralization and Decentralization: Empty Concepts

In political and common parlance, the law "rights and liberties of national communities" (the law of 2 March) has become the "decentralization law." Indeed, it is axiomatic that France is a country that is both centralized and concentrated, one in which the center at Paris dictates its will to the provincial periphery, mainly through the allocation of resources.

From that viewpoint, which is the simplest one, centralization amounts to an imbalance of power between agents at different levels of the political and administrative system. Taken further, this line of argument leads to a conception of the problem as a zero-sum game. There are several decision-making levels: the state, department, and commune, and the distribution of power among these levels of government leads to the domination of the lower by the higher because of a pyramidal structure.

This view of things is strongly embedded, for several reasons. The first involves the functioning of the administration itself. Administration has become the embodiment of centralism because it is perceived as being hyper-centralized and as imposing its own way of operating on the rest of society. Its domination of local government (communes, departments and the General Council) enables it to nip local initiatives in the bud and to act as a giant vacuum cleaner that has its repository in Paris. The second reason involves decision-making theory as a corollary to the axiom of centralized France. Decision-making is identifiable at a precise moment and by a definite act: the signing of a decree or the drafting of a law and its promulgation. Considering the importance of the legislator's role in drafting texts governing all aspects of public life, and considering the importance of these texts compared to more customary or conventional practices adopted in other countries, centralization becomes obvious: everything is decided in Paris, mainly in ministerial cabinets, and institutional workings allow parliament only partially to fulfill its function as a deliberative body.

Finally, the problem of any social agent, wherever he may be on the politico-administrative pyramid, becomes that of access to the decision-making center, and this problem of access largely outweighs deliberation in our system.

The critique of this outlook has by and large already been done, and some of the very authors of the law have taken part in this critique. At one level, the critique leads to a paradox, which doubtless explains some aspects of the law of 2 March 1982: looked at more closely, society is actually more complex.² Two elements make up the system: first, there is a highly structured one at the department level, where administrators and elected representatives work hand in hand for the purposes of public administration; their relationship can be seen as more one of complementarity than domination. Second, this level of national government has a large capacity to resist the pressure of decisions emanating from the center. There are some striking recent examples where objectives announced by Paris have been diluted by local apathy or perversity: the decrees of March 1964 creating regional institutions and the law of July 1971 promoting the merger of communes.

The relationship between the center and the periphery thus emerges as one of negotiation and anticipation of the other's reactions and even manipulation to prevent those reactions.

Centralization thus has quite another meaning: it is no longer a question of one agent's power over another but of a system of general irresponsibility that shifts the appearance of decision-making to a central level that is hard to get at; the system thus falls outside the control of the large mass of citizens, who are forced into a passive role.

It is thus understandable that the acts of local communities would be removed from the tutelage of government agencies. The objective is not so much to respond to the common rhetoric about the weight of nitpicking government interference as to hold elected officials accountable for their responsibilities. Indeed, no one is fooled about the facts of this tutelage: it is a help more than a hindrance in dealings between elected officials and constituents. It is the means by which the elected official passes the buck to the civil servant, who does not have to face election, and makes him take the blame for an unpopular decision.

Doing away with this government control is, in the first analysis, a means of cutting off this dodge, of taking off this "cover" that the authors of the law consider undemocratic and irresponsible. It decentralizes not in the initial sense of a transfer of powers but in the more ineffable transfer of an undesired responsibility.

The meaning of the words is thus greatly altered, and the view of political administration is no longer the same. It is now a non-zero sum game in which everybody becomes more powerful because they are more responsible. The state no longer has to deal with the swarm of petty decisions that local governments kept sending up, and national communities are obliged to justify their acts to the source of their legitimacy.

Of course, the legislator is not unaware that such an in-depth change in behavior may take time, but he is making a very strategic wager: people act within their resources and limitations; as the field of action is altered, behavior is also inescapably altered. Granted, the direction of change hangs in suspense, and, if we look at it closely, we can see that it is not subject to legislation but is a challenge. This challenge is based on the ambiguity of the terms centralization and decentralization, and it skirts three issues: the differences existing between national communities, the real cost of installing true local responsibility, and the place of the region in the scope of the whole plan.

Decentralization for Whom?

The two large problems of centralization that we have briefly sketched out--domination and irresponsible complicity--give too general an idea of a situation that is much more diverse in its detail.

However the word centralization is understood, France is not all centralized to the same extent nor at the same speed. Yet in the face of this diversity, the law applies to everyone in general. It cannot fail to have varying effects or even, at a strictly economic level, to increase the sometimes glaring disparities between national sections.

The law seems to go further than simply requiring local communities to assume their responsibilities. It also establishes all the mechanisms necessary for political or even partisan integration. In large or even middle-sized cities the problem was solved before the law went into effect. These cities have the means to carry out the law because they are equipped with increasingly

competent technical services and administrations that are becoming more and more solid in quality and quantity. This seems especially true because in some recent studies that we have undertaken we have noted that sub-departmental officials have been turning away from the city as a field of action³ and increasing their activities in rural or semi-rural areas.

France's evolution from a rural to an urban country seems to be reflected in a slow adaptation of the classic system of political administration as described by M. Crozier, P. Gremion and J.-C. Thoenig. The city no longer appears to be an exception to the general rule; it is a different system, which is characterized by its taking direct charge of growing activities, particularly in social fields, and by its dialogue with departmental administrators.

On the other hand, the rural system is one in which local communities lack technical, administrative or financial services and prefers relying on the infradepartmental civil servant rather than appealing to the nearest elected official.

The "minor" elected official, as well as the infradepartmental civil servant, have a common interest in preserving this relationship: the former derives political autonomy from it, and the latter derives his hierarchical autonomy.

One of the law's possible effects is to cause the existence of this "double system" to be reexamined and, more particularly, to make the rural model more like the urban model. Once the elected official with few resources is deprived of the civil servant's protection, he will have to rely on a support system that will enable him to meet standards and have his work meet with approval. Too much legalism makes people overlook the fact that it is not a matter of formal regulations but of guarantees that the elected official deems indispensable for dealing with the voters in person. The guarantees, protection and access to decision-making centers all indicate that they will now be working through the General Councilor, who is actually the mayor of the department. This is what we call political integration. Two things must be noted concerning it:

First, it does not seem at all likely that the agents concerned will be passive participants in the integrative workings of high officials. In the long run, the infradepartmental civil servants would lose all their autonomy and all their capacity to work autonomously for the benefit of "their" elected officials. Also, our initial observations show that the central administrative agencies are themselves not insensitive to the problem, though to varying degrees, of course. When the new regulations are implemented, they may be able to find ways of recapturing the room for maneuver that they had lost at the departmental level. What we think we see taking shape is an astonishing paradox; the administrative center is virtually turning the tables on the outlying districts: central administration is making an end run around its departmental level and, by mobilizing the infradepartmental civil servants, is trying to offer small communities the breathing room that they have been looking for. They both strongly agree that the law of 2 March should be only a simple horizontal redistribution of powers among department "heads."

If, however, integration does take place, there is a good chance it will be done on a partisan basis and will introduce into the French departmental system elements of a political spoils system that have so far been largely absent. The degree of possible politicization still remains wide open at present. It could be limited simply to the Councilor General's controlling the cantonal elected officials or it could go so far as the dominant political party's controlling the whole administrative structure, as can be seen at present in a certain number of cases.

Decentralize? At what cost?

The law's assumptions seem relatively clear on this point, and, once again, they seem to involve a risk. It is not easy to decentralize in hard times, when some expenditures are increasing exponentially (social expenditures) and when funds are limited especially because taxation for social purposes has reached a limit that experts agree is a maximum. In such a context, some transfers of authority are perceived by local representatives as the state's passing the buck to local governments for problems that have become unmanageable at the national level.

The challenge, which contains a sizeable element of risk, seems to be this: the law provides for exact compensation for the transfer of authority at the time the transfer is made. The Senate has even added a safety clause to cover the costs incurred by the transfer itself. Everyone admits that it will be hard at first to restrain inflationary pressure: the elected official, who is in direct contact with the voters and has no possible administrative cushion, will doubtless be very vulnerable to the many demands that will be made of him. But, for the legislator, that is the initial phase: countervailing pressure is bound to be felt, and it will be all the easier to adapt receipts and expenditures because the adaptation will take place at a level of public contact that is open to the citizen.

This idea of a new public contact or solidarity in a state that is in financial difficulties has already been frequently discussed.⁴ The observations we have made enable us to add two elements to the discussion.

At the local level, social strategy cannot be separated from an employment strategy. Health, education and safety do not mean so much that the representative will attract his popular support by offering complete and sophisticated services as that he will gain support by offering jobs linked to socially beneficial work. The system has been able to function thus far in a very inflationary manner by medicalizing, i.e. shifting expenditures to social security, even that which has sometimes been a strict case of social assistance or even a legal case in cases of predelinquency. The upshot is that local and departmental representatives will suffer heavy induced pressure for employment.

It is not as obvious as people like to think that local government spending is the most effective. The observation of concrete facts requires a distinction to be made between the control of capital expenditures and administrative costs. The latter seem to have a kind of rigorous system, while the former are very unpredictable, and this is true for local communities that have been sensitive to this problem for a long time. Capital equipment

corresponds to a need, and this need is precisely one that is impossible to estimate and that is most subject to inflationary pressures.

In other words, the hypothesis that taxpayers will bring "regulative pressure" to bear on social spending breaks down first when it comes to the time needed to set up a new system and the costs of implementing it; second, the communities' real capacity to control spending, and, third, the disparities between localities and regions induced by this system.

What About the Region?⁵

It is probably on this point that the terms centralization and decentralization prove to be the most abstract.

Indeed, what is it in practice? Is it transferring central government powers to a territorial society--in this case, the department--that is, to decentralize? Or is the plan to break departmental bonds, the department being a veritable hotbed of collective irresponsibility, and to create a vaster unit, the centralizing region, which would have more resources than the department.

At present, the law will permit the general election of regional councilors, will limit the number of successive terms in office, and will transfer to the region a sector of activity that government administrators consider to be of high priority: vocational training. The question has been raised Why has nothing more been done and whether these measures will suffice to enable to enable the region to assert its authority relative to the department. It seems unlikely that two powerful national communities can interpose themselves between the commune and the state. Even if some confusion does occur, it will clear up with time to the benefit of one or the other party. Observation of the bitter debate that took place when the law was drafted as well as the present interplay between the parties leads us to believe that the balance is largely on the side of the department.

It could hardly be otherwise. Since the regions have not been given much power, it is hard to see how they can get into the game. Everything indicates that the various parties have used this initial phase of implementing the law of 2 March to strengthen the framework they know best, the one in which habits and practices are the strongest: the departmental framework. We have seen this happen as we analyzed agreements signed in a few departments between the commissioner of the Republic and the president of the General Council.

Agreements Between the State and the Department: Initial Steps Towards the Law of 2 March

In the first half of 1982, every department in France negotiated an agreement with the state. This agreement transfers to the General Council the civil servants, files, offices, etc. that supervised the execution of departmental policies and that the state hitherto controlled.

This agreement is worthy of attention for many reasons. It marks the first concrete step toward actual application of the state's policy of decentralization in favor of local communities, a policy desired by President Mitterrand and Interior Minister Defferre and ratified by parliament in a guideline law published 3 March 1982 on the "rights and liberties of the communes, departments and regions." The president of the departmental assembly receives the concrete means enabling him autonomously to implement the policies decided upon by that assembly. No longer does the prefect--now commissioner of the Republic--perform the day-to-day management of such policies with the aid of his staff and that of other state ministers.

The turn-about seems to be complete; it reverses a history in which the state established a solid hold on administrative and technical functions and deprived the department of autonomous administration.⁶ The state is disinvesting and the prefects are handing over their powers. Now the time of local elected officials has come.

From October to December 1982, under our direction, communal attaches nearing the end of their training undertook an investigation under the auspices of the Pantin Communal Personnel Training Center in Paris; the study concerned the way in which agreements were drafted and concluded in six departments: Hauts-de-Seine, Landes, Seine-Saint-Denis, Somme, Val-de-Marne and Val d'Oise.⁷

These departments were chosen in order to examine contrasting situations: the partisan majority in the General Council (2 communists, 1 socialist, 3 rightist oppositionists), their economies and geography (3 from the "little crown" surrounding Paris, 1 from the "large crown," 1 the home of a regional metropolis, and 1 from the rural periphery of a southwest region). A total of almost 100 people were interviewed; they were involved in the agreements in one way or another: elected officials (General Council presidents and vice-presidents, mayors, etc.), and civil servants (prefects, general secretaries and other prefecture administrators, officials in charge of services outside the national government, etc.)

We will limit ourselves to listing the principal findings of the study, which is being further analyzed in detail.

The Model Agreement

The law of 2 March 1982 recognized the department's freedom to administer itself, thus doing away with its dependence on the prefect's administrative and technical help, on the prefecture and on the national government's exterior services to draw up and implement General Council policies.

The president of the departmental assembly became the chief executive. However, the law was merely a set of guidelines and set forth general principles. The content remained to be fleshed out. What would the General Council's authority be? This task fell to another piece of legislation that time did not permit to be discussed in parliament before the end of 1982 and in 1983.

Meanwhile, as provided in article 26 of the law of 2 March, an agreement had to be concluded between the state representative in the department and the General Council president in order to give the latter authority over services. On 15 March 1982 a decree was issued establishing a model agreement for those to be made between the state and the 96 departments.

The agreement gives an impression of a mixture of liberalism and authoritarianism on the part of the government. The minister decrees the norm that in a way sets the limits of the transaction by means of a text that is identical for all departments and that must be submitted for his approval. At the same time, however, the text is short--4 pages and 15 articles--and sufficiently general to allow for ambiguity; the concrete details of the arrangement, especially, are left up to the parties to the contract. These details are appended to the model agreement and do not have to be approved in Paris.

The contract is a list and an agreement to share and cooperate by the local state services and the General Council. It enumerates the services transferred from the authority of the state to that of the department, and it stipulates the possibilities of joint use of some of them. It mainly involves the prefecture; transfers involving other exterior state services' being shifted to the departments--departmental offices of capital equipment, health and social services, among others--are being held back for agreements to be made separately, in the light of the law on jurisdictions, which is being prepared in Paris. The prefecture's services or parts of its services falling under the purview of the General Council are removed from the authority of the commissioner of the Republic and put under the jurisdiction of the president of the General Council: the staff of the departmental assembly, the departmental budget office, the department employees administration, the services in charge of all financial aids, subsidies and support provided by the General Council (economic action, school and cultural affairs, aid to communes and vocational training), the services for planning departmental activities (equipment, etc.), the offices in charge of departmental architecture and roads and departmental real-estate holdings, and departmental fire, rescue and police services.

The list is rounded out by entitlements and empowerments that are placed under the authority of the General Council but may yet be made available to the prefecture as needed: carpools, printing, maintenance, etc. However, the commissioner of the Republic retains his authority over welfare housing with the stipulation that its services be made available to the authority of the General Council president. The data processing service will come under the authority of the commissioner or the General Council president as the case may be, but it may be used jointly by the partner who does not have formal authority over it.

Finally, the agreement provides explicitly for one case of administrative duplication: the state and the General Council will each have its own mail service.

At first glance, this legislation has two rationales: stripping power from the prefecture and the distribution of resources between a commissioner of the Republic, who loses some, and a president of the General Council, who gains some. And each has authority over his own services.

The change takes shape thus: the prefect of yore is dead; the new one has less authority, and his staff has dwindled. What could be more symbolic of the new order than the commissioner of the Republic depending entirely on the generosity of the General Council president for his trappings of prestige and daily comfort.

It is a kind of administrative Yalta agreement. Each has his own territory, services and agents, because the agreement stipulates that the commissioner of the Republic and the president of the Council General are now responsible for the personnel on their budgets (recruitment, evaluation and promotion).

By all indications, the facts of life and human sensitivities will create a swift trend toward an even more complete separation of the few services still open to joint utilization and that, with the help of Parkinson's law, functions will continue to be duplicated.

A Localist Negotiation

Negotiations were opened in January 1982 and will be closed in the six departments observed when the agreement is signed in May. In a few cases, the amendments are many and detailed.

While the negotiations are taking place, cantonal elections are being held for half the membership of the General Councils, and the center and right opposition parties have been winning clear victories. It should be noted that the parties are often newcomers in their functions. Here and there a new president is elected to head the General Council. Mainly, however, in four departments out of six, new commissioners of the Republic have been recently appointed to the departments or are getting ready to quit in the wave of transfers ordered by the government.

In one department, Val-d'Oise, the general secretary of the prefecture has headed the negotiations in the absence of a commissioner of the Republic.

In all respects and seen from the outside, the convention is a legal act that is not in the ordinary run of daily administration. For the first time in the nation's history, the department is being entrusted with the means of its own administration. The state is decentralizing and negotiating with the departments; the movement is downward, from top to bottom. The agreement is part of a long-term policy that has been announced as such in Paris and that reexamines all duties, resources and powers. This is not happening on the spot. The agreement is universalist in essence but localist in practice for the officials who are drafting it in their various localities.

We have seen no lasting, open or violent conflict in the field. True, the regional print and electronic press have reported statements by departmental elected officials that give the impression that power was conquered by local representatives in a sort of night of 4 August. "The department is changing bosses." "The privileges of the old regime have been abolished." Some General Council presidents are "mobilizing" the mayors of their departments and calling them to the departmental capitals to explain the new deal to them.

But as a general rule, behavior has remained courteous in content and tone, and a certain restraint has even become fashionable among the two parties concerned in order to present the negotiations as being a generally normal although formal act. What is more, this tendency to dedramatize the proceedings has been experienced and reported by the deciders themselves in the interviews they have given us. In one of the six departments visited, Seine-Saint-Denis, the president of the General Council was in disagreement with the commissioner of the Republic over the transfer of jurisdictions, and the matter was decided against him by the minister of the Interior. Curiously enough, in our interview with the elected official, he said not a word about it, preferring to emphasize the exemplary atmosphere in which the negotiations took place.

True, not everything has been easy, particularly for the pride of the prefectoral staff, but in the final analysis it would be wrong to think that the agreement was harder to reach than when, in other matters, the two arbiters were called upon to agree or compromise with one another.

Although there have been three or four situations around the country where things have been downright tense and one of them did not lead to the early signing of an agreement--in the Meuse department, where the General Council president is a rightist and the commissioner of the Republic is the only one who is a communist--or where, in two or three cases, the elected officials have shown themselves to be a bit greedy in wanting to take over perquisites hitherto enjoyed by the prefect--apartments, cars, etc., these cases have been exceptions.

The small number of departments observed does not allow any conclusions to be drawn concerning the influence of partisan political affiliations of the assemblies and their leaders on their attitudes toward decentralization. However, one observation must be made. Wherever the Communist Party has been in control of the General Council, it has played the game seriously. Its representatives take pains to erase any conflict with the commissioner of the Republic, and they show their loyalty to the Republic by making a point of cooperating with state services. At the same time, they place like-thinking collaborators in the state services, though not necessarily in administrative positions.

Negotiations are the business of two officials, people who know each other and who live in the same community, rival associates in their roles and their drive to succeed: the commissioner of the Republic and the president of the General Council. There is no question of this abstraction pertaining to the state.

As for Paris, it is hardly mentioned in the department. The transfer is not vertical but horizontal: from the prefecture to the General Council, from one zone of authority to another. The negotiations are a formal arrangement between two agents who are linked to one another by many other things. It is a matter of power and prestige in a context where the agreement functions as a problem--not as a solution or as a means of decentralization--the impact of which the participants seek to cushion by using their general capacity to manage interpersonal relations. Hence they have a mutual

interest in not making the problem of day-to-day management any more complicated than it already is. Services and responsibilities are being divided up in a kind of abstract war game in which the opposing generals are destined to continue living together in the same headquarters despite the desire of each to acquire the greatest possible number of troops under his command.

On the other hand, the participants have a short-term perspective. True, each one knows theoretically that decentralization has been announced in Paris as a multi-stage policy. The agreement is intended for interim management until specific laws are passed on jurisdictions. Thus, an agreement has to be reached quickly. The commissioner of the Republic does not wish to create incidents and bring himself unduly to the attention of the minister, for fear of compromising his career. The president of the General Council wants to be able to present himself as the boss of the local political scene, beginning with the first meeting of the spring 1982 session, if possible. As a function of pragmatic personal interest, each one is playing for short-term goals in the negotiations: the quest for an agreement becomes an end in itself. The function of time or the term of reference is a problem to be put off till later in the process of decentralization. In the anticipation of future events that are considered to be essential and rightly or wrongly supposed to mark the stages of change, people are moving into an interim period that does not constitute a definite break with traditional practices.

By that token, the marginal adjustments thus induced become games and relationships limiting grassroots dynamics. The pressure groups, especially the most conservative ones, have the time to regroup and weigh the course of events. The weight of change thus falls at the top, on Paris and the government.

It remains to be seen whether the government will have the ability to impose change upon local administrative politics where people are rightly or wrongly thought to be satisfied with their fate or hesitant when faced with real nights of 4 August: it is an example of the self-fulfilling prophecy where that which is temporary feeds on itself and thus defines what is possible.

The agreements somehow resemble a waltz of administrative labels; the services have changed only because they have been placed under a new superior hierarchical authority. This waltz has been negotiated in the prefect's offices by a handful of officials and without much publicity. The president of the General Council has involved himself personally, as well as his vice-presidents to a greater or lesser extent, but he has limited public political debates in open sessions.

The commissioner of the Republic has acted alone, although sometimes with the support of the general secretary of the prefecture and one or two administrative department heads. Concertation has been limited. However, commissions with equal representation have been consulted and have allowed staff representatives to express their fears and to be reassured about the actual--limited--effects of the agreement on the daily routine of the agents.

The commissioner of the Republic and the president of the General Council have avoided complicating the situation by adding a basic reform of services to a transfer of authority. On the contrary, they have heaped praise and reassurance upon the staff. As it was, the staff, particularly the people directly affected by the agreement, were worried at first, but they had few lasting reservations. For them, the decisive matter is still up in the air: the future law on the status of state and local community agents, a law that the government has already begun to draft and that is planned for 1983. Staff people are also reasoning according to the near term and tarrying with what is temporary. Where there are strong reservations, they belong mainly to state administrative personnel who are now under the orders of the president of the General Council.

People are sometimes heard expressing in no uncertain terms attitudes that are hostile to local elected officials or denouncing political "conniving" or expressing the fear of feeling isolated or subject to local pressures or of losing prestige or being downgraded in their careers.

On the other hand, a climate of real anxiety has sometimes taken over services such as Equipment, where a large number of the staff is on departmental status and works for the General Council; its organizational unity is perceived as due to be upset by massive transfers in coming months.

Organization and Administration Thoroughly Transformed

Since May 1982, the administrative and organizational support of a very real new departmental political power have been put in place. That is a decisive fact, whatever may have been the means of negotiations.

It should be noted that the state-departmental agreement involves a considerable number of services and personnel. From 20 to 40 percent of the prefecture's agents are being placed under the authority of the president of the General Council. But the transfers are more complicated than they may seem, upon both order of the minister of the Interior and the wish of local authorities. The principle that has been adopted is that the agents follow the bureaus: services are transferred as a whole with no change in the agents' daily routines and with no reshuffling of personnel status. State employees or contractors working in and for the departments thus fall under the authority of the president of the General Council. This move was chosen explicitly by the Interior minister using the somewhat roundabout method of what is known as "assignment of availability." On the other side, employees with departmental status are continuing to work under prefectural authority, as they have in the past.

There is massive staff overlapping, and it has considerable consequences. Despite the division of authority, it makes for close functional interdependence between the world of the prefecture and that of the "departmental hotel." Local agents account for more than 50 percent of state services personnel, mainly in low-ranking or menial jobs. There is a smaller proportion of state agents working in General Council services, but this proportion is nonetheless significant, because it is composed mainly of administrators and technicians.

In a department like Hauts-de-Seine, the new departmental services are managed by state employees under the umbrella of the General Council. Elsewhere, it is not unusual that the shuffling of transfers gives the prefectures more departmental workers than they need or than they yield to the General Council. The transfer accomplished by the agreement creates, paradoxically, a new form of mutual dependence between the commissioner of the Republic and the president of the General Council, each employing under his own authority personnel paid, recruited, evaluated and promoted by the other.

Each is now a "boss," but the two bosses remain separately interdependent, although under new structures, of course.

One important observation is that in practice neither of the two in the six departments observed has rejected the policies of assigned availability of transferred administrative services.

The concrete agreements that have been made respect the administrative staff assigned by the minister of the Interior with minor changes reflecting local situations and leading to transfers that are a little more or less numerous than normal.

In the Landes department, for example, the General Council has not felt it in its interest to exert its authority over Interior services. In Val-d'Oise, the agreement has been applied with quite a bit of restraint. On the other hand, the General Council in all six departments has taken the computer service under its authority on the grounds of its financial contribution. In Hauts-de-Seine, the agreement added two general administrative offices to the transfers--parks and gardens, and technical services--that fell outside the prefecture's organizational chart, did departmental work and yet were under state jurisdiction. The state is also giving up three cultural programs to this department.

Generally speaking, no marked tendencies can be found in these contracts to exceed the limits set by Paris. The joint use of services seems to be working well for the most part, with no obvious dislocations or unavoidable duplication. At the most, marginal perquisites, e.g. official car and driver, show areas of conflict that are resolved by mutual avoidance in the form of duplication of services. Finally, the extent to which authority is delegated by the president to state civil service employees is revealing. In some departments, authority is delegated regularly; in others, it is meted out stingily or even refused. The feeling is that the agreements are not really a discontinuity but a means of speeding up changes that were already taking place.

The departmental-state agreement is an exercise in normalizing services, staffs, financing and costs; in a text common to all departments it also shows how different local situations have become in the course of the last two decades. There is disparity in service personnel (Hauts-de-Seine has six times more staff personnel than Landes); there are differences in jurisdiction and policy management (in the Somme, economic action is coordinated by the committee on growth; in other departments, the prefecture is all-powerful). There are also variations in power sharing and relationships between state representatives and elected officials in the various departments

(in one, the commissioner of the Republic dominates an effaced president of the General Council; in another, the elected officials have in actuality and for a long time been dictating policy to a subordinate state official). The character of administrative organization in the departments is marked by both continuity and change. The Defferre reform makes plain and strengthens the differences that existed between theoretically equal communities.

Generally speaking, the departmental-state agreement does not mark any sharp discontinuity. In terms of real power, executive functions had already been under the strong influence of the departments for some time, and the General Councils had been playing a major part in the communes. March 1982 only ratified officially a situation that already existed.

Effects of the System

The departmental agreement as such is not the main thing. As often happens in complex systems, and it is the case in the departments, significant changes do not take place at the points where they are officially supposed to happen; in this case, the change is the transfer of services from the authority of the commissioner of the Republic to that of the General Council president. Rather they are taking place on the edges of this target area, more indirectly and less visibly than one would expect at first glance. Such effects can indeed be noted in the departments observed.

The executive authority of the General Council president is not arising suddenly out of nothing, as we have already stated, simply by the effect of the agreement. The authority of the commissioner of the Republic is not being made to disappear as though by magic, either. Basically, each of them remains dependent on the other for success in his own sphere of action after May 1982 as he did before.

The departmental-state agreement cuts prefectoral services in two and transfers authority to elected officials, but it does not do away with the officials' mutual interdependence. Decentralization is expressed mainly by a more or less markedly new balance in the power relationship between the commissioner of the Republic and the president of the General Council. The pair remain, but with a greater difference in the respective powers of each partner. It is not a matter of a divorce, of their getting along without each other; at least that seems to be what we have observed. An interesting fact consists in the arrival of a new kind of agent, the departmental services administrator. According to the local situation, this kind of administrator can bring more or less influence to bear and can even transform a two-party relationship between the commissioner and the president into a more complex, three-party relationship in which all three play a part.

In all the departments, the departmental-state agreement has been accompanied by the General Council's hiring two or three agents to work with the president and administer the new services (general director or general secretary, cabinet director and assistant director).

The diversity of local solutions is what is most striking at this stage. In Val-de-Marne, the former general secretary of the mayor's office in a departmental town was hired (the only case in France that we know of, except for Cantal). Such a situation very much upsets state personnel attached to the department, because they are embittered at having to obey someone who had hitherto been under their orders. In Hauts-de-Seine and Val-d'Oise a former prefect was appointed. In Seine-Saint-Denis, the previous departmental director of Equipment now heads the departmental administration. Two criteria are brought together in variable proportions in the presidents' appointments of departmental administrators: political loyalty or even partisan affiliation (rightist General Councils as well as those of the Left prefer to hire candidates from their own parties) and administrative ability, with practical experience in the field (this explains why local elected officials call on former prefects--more than 75 members of the prefectural corps, prefects and sub-prefects, have already been hired by regional or general councils--or city general secretaries). It remains to be seen what actual positions will be held by these departmental officials. However, they will no doubt depend largely on the General Council presidents' personal strategies.

An analogy with the municipalities must be made. The position often occupied by the general secretary of a city is especially important because the mayor relies on a civil servant in order to avoid having to share too much of his authority with assistant mayors for fear that one or more of them might become electoral rivals. Also, the more the mayor is absent, e.g. in Paris on parliamentary business, the more he relies not only on his assistants in the municipal council but also on the general secretary, who then acts as the number two man in town. It should be noted that the commissioner of the Republic remains a viable alternative to the General Council president in the context of his own political situation. In two of the departments observed, the prefect does act as a representative of the state, but he also acts as a veritable general secretary for the department in complete symbiosis with the president's personal interests.

What is more, this departmental "mayoralization" on the city model already existed before 1982. In such a situation, the general director of the departmental service has very little leverage to transform the relationship from a two- to a three-party one. At the same time, through him and by engaging a cabinet head, the president gains considerably in strengthening his position with respect to the general councilors, for he frees himself from the influence of the vice-presidents and the president of the departmental commission. Indeed, the departmental-state agreement strengthens the General Council president's authority most appreciably relative to the General Council and the local political scene more than to the state.

As for the functions of the commissioner of the Republic, the indirect effects of decentralization also seem to us to be considerable. As the agreement is being negotiated, everything is taking place as though the prefectural corps generally were losing all its unity and as though its members' division of duties were being accentuated. With some exceptions, the commissioner of the Republic has no clear idea of what his latitude for action will be in the new deal. Does he gain an advantage to make up for all those he has lost

because he can appeal to the Regional Accounting Office to take action against decisions made by local elected officials? He and his colleagues are relatively disoriented by the government's policy, and their usual support is somewhat lacking or else does not carry as much weight as before (prefectoral cabinet heads, some members of the General Council and local officials). They are uncertain about what is happening. Thus, even though they had formally instructed the other state external services--Equipment, Health and Social Action--not to make written transfer proposals without first submitting them for approval, they find their fellow departmental directors leaving them in the lurch: their colleagues are negotiating directly with the General Council, and the commissioner is hearing about it second hand. Obeying the minister's instructions remains their guideline.

However, the more the commissioner plays the game by the book and looks after his short-term interests, i.e. the more he "sticks" to governmental instructions and legitimizes his action by adhering to the letter of bureaucratic rules, the more his local political and administrative influence on the General Council and state services is diminished. The more influence he loses, the more he is pushed aside politically. The only support he has left, then, is to take refuge behind the letter of the communications and directives from Paris.

That being the case, the future of the commissioner of the Republic does not appear to be very clear. To the extent that the guideline law of 2 March 1982 strengthens the decrees of March 1964 it can be interpreted as compensating for the responsibilities transferred from the commissioner to the General Council by recognizing a new hierarchical authority over state agencies in the department (article 34 paragraph 1: "He shall administer the state services in the department").

This should have the concrete effect of his becoming the required intermediary between Paris ministers and the General Council for everything concerning state agencies in the department: Equipment, Agriculture, Health and Social Action, Finances, etc. It is easy to understand that this means that a real silent revolution will take place in the world of state administration, if it happens.

However, nothing in the events observed allows one to conclude that a process has been started that will lead inescapably to this end. Here and there the commissioner of the Republic takes initiatives to affirm his authority. In the Somme, particularly, a new administration has been set up that is in charge of state external services. Once a month, as has already been customary for several years, the commissioner of the Republic meets with the directors of external services. Also, we note that in several departments there has been a definite strengthening of what has been rather relaxed communications between central and external services. Contacts by telex or telephone are increasing and are short-circuiting the prefecture's mail controls. Thus, the departmental directors of Equipment are all meeting with Paris officials once a month, which is a very new practice in this area and has the function of strengthening unity and contact without any intrusion by a third party.

Likewise, agreements or contracts concerning urgent problems are increasing between cities and certain ministries, here again without prefectural intermediation. As for delegation of authority refused by the commissioner of the Republic, departmental directors are going over his head in some cases and acting quite illegally with the support of Paris and the silent complicity of the Finance services. The lack of a transfer of jurisdiction from central services to departmental services in the technical ministries makes this all the easier.

It may be concluded that the geographic centralization of decision-making is being reactivated. Paris is becoming more directly present in local life in a way that allows departmental administrators to protect their autonomy against the commissioner of the Republic.

But the decentralization measures are allowing the commissioner of the Republic to score decisive points over another colleague, the general treasurer-paymaster. He is given the chairmanship of the CODEFI (Committee for Financing Ailing Businesses), and he is the one who has the responsibility for deciding whether or not to bring before the Regional Accounting Office any appeals of decisions made by local communities. At the moment, the prefects are not yet aware of this situation. As it is, the general treasurer-paymaster's power increased greatly in the years 1969-70 until he became a sort of economic and financial counter-prefect. He relied for this on the centralization of the many local services of the Finance ministry at his level and set himself up as a departmental intermediary who had the ear of Paris ministries in financial and economic areas. Everything indicates that henceforth the general treasurer-paymaster's domain will stagnate and even shrink. It is a crucial fact that the departmental paymaster, who has been transferred to the General Council, is no longer under his authority, even if the T-PG [general treasurer-paymaster] continues to oversee the career of this state employee. The Regional Accounting Office offers the prefect the possibility of intruding more directly into an area that had hitherto often tended to escape his influence. Some T-PG's are now becoming aware that they themselves could be among the real losers in decentralization, and the winners would be, paradoxically, their rival associate, the prefect.

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The agreements signed between the state and departments essentially involve prefectural bureaus and jurisdictions.

A certain number of trends can be perceived between the lines, and these trends lead us to believe that they are heading toward an increasing diversification of departmental politico-administrative systems.

The model that seems to be appearing most frequently is the one we alluded to earlier: the "mayoralization" of the department under the umbrella of the most powerful official. Although jurisdictional transfers affecting all ministries are not yet complete, the General Councils have not hesitated to make their intentions and attitudes evident and have opened negotiations with one ministry or another in order to reach agreements identical to those signed with the commissioner of the Republic, as in Val-de-Marne or Landes.

Here too a great diversity becomes apparent, especially for one of the more pressing subjects: the problem of technical services (roads and civil engineering). In Val-de-Marne, elected officials have shown their desire not to create a departmental technical agency but to continue working with Equipment services. In Landes, however, the strongest reactions registered during the negotiation of the agreement had to do with the departmental management of Equipment. The General Council is threatening to set up its own technical agency whose main task would be to assist the mayors of small communes in financing their equipment. This would complete an arrangement whereby each general councilor would distribute among the communes in his canton the equipment credits issued by the General Council.

On the other hand, a town like Mont-de-Marsan wishes to continue working with Equipment services. In another department, the president of the General Council intends to create a departmental technical service by ceding back to the departmental Equipment director the broadest delegations of authority concerning local matters.

Generally speaking, it is clear that the General Councils intend to become the appropriate intermediators for all elected officials, whether by using their own services or by using those of Equipment. Actually, though, the main thing in local matters is not the legal label worn by one's counterpart but one's capacity to defend his autonomy against an official deemed to be threatening or powerful, whether he is of the same political stripe or not.

Whatever choices departments make, they will run up against the logic of autonomy that central administrations and infradepartmental civil servants are already beginning to make use of.

Partisan political pressure is being brought to bear in favor of integration. Hence the diversity of situations in this phase of transition: here, the party imposes its way of thinking on the department as a whole; there, the department splits into two or three rival partisan camps. In a third case, the system cracks in two, setting cities and departmental civil servants against rural communes and local civil servants and vice versa.

There, however, is where decentralization has to be worked out. Everything is taking place at the departmental level, because it is the oldest, strongest and, one might say, the most conservative structure. If the department breaks up under the pressure of the opposing forces that we have noted, what system will take the place of the old one? If many different local arrangements are created because of temporary power relationships, where will there be coherency in it all for the country, not as a matter of intellectual satisfaction but from the standpoint of effective public policy management?

As things stand, parliament is being completely optimistic about people shouldering their responsibilities; however, the facts are more ambiguous.

FOOTNOTES

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Yves Meny, "State Administrative Power and National Communities," Bordeaux, paper to the CERVIL [expansion unknown] colloquium, Institute of Political Studies 9-11 December 1982, 17 pp.

Mark Kesselman, "The Tranquil Revolution at Clochemerle: Decentralization in France and the Crisis of Advanced Capitalism," Bellagio, Italy, paper to the conference "Local Institutions in National Development" 15-19 March 1982, 20 pp.
2. Pierre Gremion, "Le Pouvoir peripherique: bureaucrates et notables dans le systeme politique francais" [Peripheral Power: Bureaucrats and Officials in the French Political System], Paris: Le Seuil, 1976.

F. Dupuy and J.-C. Thoenig, "Sociologie de l'administration francaise" [The Sociology of French Administration], Paris: Armand Colin, 1983.
3. Dominique Dupuy, "The Sociology of the Daily Paper," dittoed report to the INSEAD-CSO [European Institute of Business Administration-[unknown]], 1983.
4. see Pierre Rosanvallon, "La Crise de l'Etat-providence" [The Crisis of the Welfare State], Paris: Le Seuil, 1981, 192 pp.
5. see Pierre Gremion, "The Department-Region Choice," INTERVENTION March 1983.
6. J.-C. Thoenig, "L'Administration des routes et le pouvoir departemental: vie et mort de la vicinalite" [Roads Administration and Departmental Power: the Life and Death of the Side Road], Paris: Cujas, 1981.
7. We thank Colette Ronxin (CFPC [Communal Staff Training Center], Pantin) for her help. The analyses presented here are, of course, solely the responsibility of the authors.

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NEW THRUST TO FRANCO-GERMAN WEAPONS DEVELOPMENT

Bonn WEHRTECHNIK in German Feb 84 pp 23-117

[Article by Wolfgang Flume: "Weapons Development With France--Growing European Orientation"]

[Text] Cooperation with France in the area of armament--not quite 20 years old, to mention an example--is experiencing a new high at the moment: After the failure of the tank program that was begun with such high hopes, one has agreed to attack other, more promising, projects. In this connection it is notable that the German-French exclusivity, often regarded with suspicion by the other partners of the alliance, is more and more giving way to cooperation within the European framework, that is to say with three and more partners. The following article provides an outline of the prospects of German-French armament cooperation.

The cooperation, in particular in the armament area, between the former arch-enemies Germany and France is perhaps, in addition to the youth exchanges organized through the German-French youth work, the most visible result of the German-French treaty concluded 21 years ago by Chancellor Adenauer and French President de Gaulle. This contract simultaneously created the foundation for the MILAN, HOT and ROLAND missile programs and ALPHA JET which have been so successful economically. But it should also not be forgotten that additional cooperation programs were underway alongside them: First the licensed manufacture of the MAGISTER and NORATLAS aircraft in Germany, then the development and--under German management, even--production of the TRANSALL transporter (the second series of which is manufactured in Germany and France and is just coming to an end) and--already within a European framework--production of the naval long-range reconnaissance plane ATLANTIC.

Since there are otherwise rather few joint naval programs, the purchase of the 20 Class 148 torpedo boats in France should also be mentioned, together with acquisition of the French naval target missile EXOCET as a quasi-standard missile for the German Navy--and the joint tank project which failed at the beginning of the 1960's. LEOPARD 1 and AMX-30 were the result. The joint development planned for the end of the 1970's and beginning of the 1980's for a new battle tank also was not fated to achieve success--despite the joint declaration of intent by then Defense Ministers Dr Hans Apel and Bourges and

the highest blessings of Chancellor Schmidt and President Giscard d'Estaing. As French armament director Emile Blanc expressed it in a conversation with WEHRTECHNIK, some of the four conditions listed by him as necessary for cooperation were missing:

Political willingness to cooperate;

Joint military requirements, and also a joint need;

Agreement regarding the timetables;

Willingness for cooperation, by the industrial sector as well.

To these four fundamentals for cooperation his German colleague, department superintendent for armament and ministerial director Karl-Helmut Schnell, added three goals for weapons cooperation--from the German viewpoint:

Reinforcement of the threat-justified defensive strength of the Federation;

Better utilization of the limited resources of the alliance;

Intensification of the unity of the alliance and, supplementary, but very important in order to prevent ill-considered cooperations, which then soon fail for financial reasons:

Armament cooperation must be tied to national planning, which to us means the planning of the Federal Armed Forces.

Political Willingness for Cooperation

Probably nowhere between European nations is there as strong a stated desire for cooperation as between the FRG and France. This desire is confirmed in treaties and fortunately broadly anchored in the political parties, independent of who is in power at any given moment. Each country is to some extent the preferred partner of the other, often for the most varied reasons.

In the military sector it is first the threat which brings about the unity, and that is also the reason why the FRG would like to see France remain in NATO militarily and not merely politically. (For Germany the present arms cooperation is also a hook by which it binds France to the Western alliance.) Against the background of threat, the two nations--Germany previously, France actually only in the last few years--have recognized that already for financial reasons modern weapons systems can no longer be developed by individual nations. France spends approximately 20 % of its defense costs for its nuclear forces, money which is not available for improvement of its conventional forces. Seen from that aspect, cooperation in the conventional sector is an all the more urgent requirement for our partner.

Working Group for German-French Cooperation

The political desire for cooperation has again expressed itself in many ways recently and can also be perceived in new "institutions:" For example, the Research Institute of the German Society for Foreign Policy--with strong financial backing by the Robert Bosch Foundation--has formed a working group for German-French cooperation. The 40-50-member project group is to meet for the first time in February 1984 and the plans are for three to four meetings each year. The members come from science and publishing, from Parliament, from the Federal Government and the German economic sector. The "defense area" is represented by the state secretary of the Federal Defense Ministry Dr Lothar Ruehl and the ministry's head of the Planning Staff, Dr Hans Ruehle, as well as from the industrial side by Gustav-Adolf Bittner, head of the International Relations Department of MBB [Messerschmitt, Boelkow, Blohm], and Dr Helmut Ulcke, managing director of Dornier System GmbH. It may thus be assumed that security questions are also a significant theme of the meetings (there is an equivalent to this German working group at the French Institute for International Relations).

German-French Committee for Security and Defense

A German-French committee, formed when the German and French defense ministers agreed to even closer cooperation in October 1982, will deal specifically with security and defense issues (similar declarations for even closer cooperations had been delivered previously as well, for examples between Leber and Bourges in 1977). Therefore, on 7 December 1983 the steering committee called into being for this purpose organized itself under the chairmanship of state secretary Dr Ruehl and the adviser to the French defense minister, M. Heisbourg. The steering committee controls three working groups for political and strategic questions, military cooperation and armament cooperation. The working groups are to meet two to three times a year.

However, here should also be mentioned the regular German-French General Staff meetings, at which clarification of joint military requirements for new equipment takes place.

It remains to be hoped that this institutionalization of the cooperation will also bear tangible fruits; with respect to joint projects the Independent European Project Group IEPG, which has been rather luckless on this level, may serve as a warning example.

As helpful as the political willingness for cooperation on programs may turn out, it must not be overestimated: reference may be made to the failure of the German-French tank marriage. The desire to join can only be the first step, or the fundament.

'Comprehensive View' of the Cooperation Possibilities

A good opportunity to avoid that kind of cooperation fiascos will be offered by the list over present and potential German-French cooperation projects

drawn up at the end of 1983 at the initiative of arms chief Karl-Helmut Schnell together with his French colleague. This "comprehensive view," as it is officially called, is a kind of stock-taking and evaluation of some arms projects which could lead to cooperations.

The circa 50 programs listed are also divided in three categories:

Projects for which the military demand has already been committed and for which there is noticeable military, technical and economic agreement.

Projects for which there is no requirement as yet, to be sure, but which in all likelihood could lead to cooperation and which therefore should be studied in detail for cooperation possibilities at an early stage.

Programs for research and technology, meaning areas relating to more long-term cooperation.

Among the projects which are in the process of being realized, for which agreements are already in existence or, respectively, for which agreement appears possible within a short time, are: third-generation anti-tank missiles, anti-tank helicopter 2, Fighter 90, ANS anti-ship missile, ABC defensive equipment, folding roadway equipment, rapid mine clearing devices, 120-mm KE [expansion unknown] munitions, remote air-to-surface standoff weapons, midget aircraft, intermediate air defense rocket system.

Included in the somewhat more "future planning" are, among others, the following projects for which a cooperation might be possible: subassemblies from each of the newest battle tank programs, future light fighter aircraft, long-range naval reconnaissance planes, the IFF tracking system NIS and a lot of electronics.

Aimed even further into the future are certain research and technology projects such as a future rifle, caseless automatic gun or even successors to TRANSALL.

This "comprehensive view" of the cooperation possibilities is likely to look different in 2 or 3 years, because budgetwise all of the development projects cannot be paid for simultaneously. Priorities must be established, new projects might be added and originally planned ones eliminated due to the lack of funds, altered threats, a cooperation possibility that is no longer feasible, etc. And the cooperation can be extended to other partners, such as with Fighter 90 (with Great Britain, Italy and Spain) or third-generation anti-tank missiles (with Great Britain), in which other European nations are interested as well--a subject for the "Meeting of the Three Kings," the weapons chiefs of Great Britain, France and Germany in Paris at Epiphany (6 January 1984).

"Preferred" Partners?

Is France really Germany's preferred partner in arms cooperation and vice versa? Upon questions by WEHRTECHNIK to that effect, neither Schnell nor Blanc mentions the adjective "preferred" (Schnell speaks of "most important" cooperation partner, Blanc of "special relations"), perhaps in order not to antagonize other European partners who are forcing their way into the cooperation. Nevertheless, it is not unjustified to speak of a "preferred" relationship between Germany and France, for several reasons.

Who Speaks for France?

Germany sees in France a reliable partner with an arms management capable of acting, which--whether for programs in which France is the pilot nation or for so-called integration programs such as MILAN, HOT and ROLAND--almost guarantees rapid accomplishment of joint programs. In order to satisfy German industry German-French and even quite generally international programs have a secure life of their own.

Thus, what favors France is its reliability as a partner, because it adheres signed agreements. However, the negotiation of agreements often turns out to be difficult: In this respect the French are considered tough negotiation partners and often very formalistic. But once agreement has been reached it is kept to the letter--even if on occasion they harp on it.

Economic Success Through Export

And something else as well argues in favor of France as a partner, above all other European nations: France's up to now successful arms export, in which German industry participates by means of joint projects (with the exception, perhaps, of the German equipment industry in the ALPHA JET). Euromissile--a subsidiary of MBB and Aerospatiale for the joint missile programs MILAN, HOT and ROLAND--once calculated what advantages the combined missile programs of the German economy (companies other than MBB also take part in this) have brought the Federal Government and in particular the Federal Armed Forces:

By exporting the three missile systems to third countries, the German industry received about 50 % more orders than it would have by meeting the national German and French demand alone. This yielded several hundred million DM in additional tax revenue, and in addition the price of a single missile dropped 10 to 20 percent for the Federal Armed Forces because of the larger series--that is another few hundred million DM. Furthermore, the fixed management costs which were to be borne by Germany became lower, and a good portion of the development costs (for MILAN even in their totality) are repaid as an export refund. Add to this the savings in logistics through the greater numbers of units of a joint program.

Closely tied to the export aspect is another advantage of the cooperation programs with France--which perhaps initially appears as an obstacle in the

negotiations with France: Since France for overall economic reasons is forced to export arms, it immediately thinks of the exportability when designing new weapons systems. Overdesigned equipment thus has little chance of being developed at great financial cost, since it cannot be acquired and operated by many export customers. This may naturally even lead to the circumstance that the domestic armed forces perhaps do not get that for which they in fact have reported a need. This is officially denied, of course, and it is said that the export chances are not paramount, but rather that France in general only wants to develop equipment which is as economically favorable as possible. But no export also means--see the Euromissile example above--high unit prices and thus with more limited financial means less equipment for the country's own armed forces.

This French attitude actually insures that there are no overdesigned systems in the cooperation with Germany and no resistance is put up against the German effort for perfectionism.

France Has a Technological Policy

But yet another point of view argues in favor of France as a partner: As one of only a few countries France has an industrial, or to put it better, technological policy which does not exclude the defense sector. The leader of the French Technical Mission, engineer and armament chief, Col and Diplomat Engineer Robert Dubost, mentioned in a conversation with WEHRTECHNIK that France is starting a new armament program while taking three principal factors into consideration: Tactical demand, available budget means and industrial aspects. With the latter is meant that the country wants to put its industry in the position, technically as well as economically, of developing the technologies necessary to preserve the future independence of national security and to meet the threat with its own means.

Industrial aspects thus play a significant role from the outset, and consequently the weapons manufacturers rank under the French Defense Ministry. In particular with respect to modern technologies--for example a night vision sight for the PAH-2, which will be discussed later on--early consideration of industry, jobs and the technological capabilities are very important, and it is occasionally regretted in France that here in Germany the armed forces and the arms sector have only the demands of the armed forces in mind and that industrial-technological aspects, if at all, are only brought in later by the politicians, often not until during the discussion of the development/procurement program in the responsible Bundestag committees. France is therefore placing great hopes on the present German government, which one trusts will have more consideration for technological questions in weapons decisions.

To France, domestically developed technologies for weapons also mean free exportability without regard for potential restrictions, which for example could come from using American assemblies from the United States (Israel and Sweden, for example, were not able to export their aircraft, since the U. S. administration refused permission for the export of American power units).

French Pursuit of 'Dominance'

But are there not also critical voices concerning France as the "preferred" partner? Here the WEHRTECHNIK editors really did not hear anything when researching this article. To a German, who since 1949 has been internationally and all-Europe-oriented, the French national consciousness and effort for independence (above all toward the United States which is technologically leading in many areas) is often alien. Second, one knows that French companies like to bring out "finished" products, although a great deal of development work still has to be done. This could be the result of the French necessity of having to export and having to be able to offer "better" products than other nations more rapidly.

And perhaps a certain amount of French effort for some kind of "dominance" in cooperation programs should also be mentioned--both on the part of government authorities and on the part of industry. The reason for this may lie in the fact that Germany, in particular its weapons industry, was long the "junior partner" to some extent, that the French side has better chances for marketing in joint programs and in a certain lead by the French partner through additional national programs.

But it is not possible to generalize the French pursuit of dominance, in particular on the industrial side. Integrated solutions a la Euromissile are likely to belong in the future. Dassault, above all, must change its thinking in this area. This company, undoubtedly the leading one in the area of military aircraft design in Europe, clearly prefers pilot nation solutions in cooperation and likes to point out the ongoing ALPHA-JET program headed by Dassault as an extremely successful cooperation project. However, that a similar pilot nation solution will be feasible for multinational programs such as Fighter 90 is very doubtful.

Germany as a Partner

Now, what argues in favor of Germany as France's preferred cooperation partner? Naturally, it is first the economic power of the eastern neighbor which one likes to utilize. Then Germany's organization of series productions, so outstanding in certain fields; the TORNADO production in Augsburg, for example, is spoken of with the highest praise. Furthermore, there is a certain stimulus in cooperating with Germany, precisely because this country through cooperations with other European partners has favorable opportunities for comparison and know-how experience which is beneficial to the German-French cooperation projects. And, strangely, there is yet another particular way, less thought of by the Frenchman, of meeting the German demand: If the domestic industrial proposals are not competitive in price and technology with U. S. products, the Federal Armed Forces are free to buy them. This "Damocles' sword" is of course a special obligation for German industry and simultaneously also for the cooperating French industry: The best example is the PAH-2's night vision sight.

The export aspect is subject to various evaluations. While some believe that the relaxation of the German weapons export guidelines, which is anticipated but repeatedly denied, would be beneficial to cooperation, others are of the opinion that Germany is France's preferred partner precisely because of the export limitations, and that France to some extent has a free hand in worldwide exports and does not run up against German competition in the same markets with the same weapons (as for example with Great Britain as partner for the joint fighter aircraft JAGUAR). It must be borne in mind, however, that Germany--presuming that the export is loosened up--would have chances in some nations where France cannot make progress.

It should be noted that a German-French agreement regarding export of jointly developed weapons systems has been in existence since 1972, under which each country has obligation to inform its partner, who can raise objections against an export plan by the other nation.

German industry would naturally greet a liberalization of exports, since there would then be better balance in the joint programs and everything would no longer have to go via France as regards sales. Joint German-French firms would thus no longer have to have their head offices in Paris, as before, for the sole reason of marketing. The joint company Eurocopter (or whatever its name will be), intended by MBB and Aerospatiale for the PAH-2 and additional helicopter programs, may be a first example of a firm headquartered in Germany--with its marketing department still in France, perhaps.

What Form of Cooperation: Pilot Nation Solution, Cooperation Solution or Integrated Solution?

Up to now the German-French cooperation programs had various management structures, both on the side of the government authorities and of industry, where, however, the structure of industrial cooperation followed the government implementation agencies.

An example of the pilot solution is ALPHA JET with French Direction Technique des Construction Aeronautique (DTCA) as managing authority and Dassault as general contractor with Dornier as co-supplier. In the initial phase up to 1969 the guided weapons programs MILAN, HOT and the clear-weather version of ROLAND I were also pilot solutions with France as the pilot nation and Nord Aviation as principal supplier, and ROLAND II with Germany as pilot nation and MBB as supplier.

Characteristics of the various cooperation structures are:

Pilot solution: The "implementing agency" is an executive national authority (for example the BWB [Federal Office for Defense Technology and Procurement]) of a partner nation. Principal supplier is usually a company in the same country.

Integrated solution: Here a bi- or multinational program office (for example BPFA and NAMMA [expansions unknown] forms the implementing organ, whereby the

program office can be with legal personality (such as the HAWK Management Office for the HAWK Improvement Program) or without (for example BPFA). The principal supplier is usually a joint company, such as Euromissile.

Cooperation solution: Here the executive national authorities of the partner nations are equal as implementing organs with national responsibility for certain subassemblies or versions. Examples are the German-British-Italian self-propelled howitzer 155-1.

Above the implementing authorities sits in each case a bi- or multinational steering committee with representatives of the participating defense ministries (on the German side from the branch operations staffs and the armament department). Each country can voice its interests there. If a program is called too "French," for instance, the blame for this is shared by the German representatives on the respective steering committee--they should have seen to it that this was prevented in time.

Naturally, each cooperation solution has its pros and cons--see the box on the next page. As a result, no solution can be unequivocally preferred, although for bilateral programs the personnel-saving pilot nation solution is attracting most attention, often according to the principle: "You head one program (ALPHA JET) and I'll head the other" (PAH-2, for which Germany has been established as the pilot nation since 1976). For multilateral programs, however, the integrated solution seems to prevail, so that no partner will be at a disadvantage.

While the ministries--in Germany as well--in general prefer the pilot nationsolution, the industries of the two countries are not that unanimous. MBB prefers the integrated solution, which offers the same rights and opportunities for the participating companies. In France the industry is also strongly in favor of "leadership" when it comes to integrated solutions, that is to say strong program management, at least in the definition and development phase. In speaking to WEHRTECHNIK the general director of Dassault, Bruno Valieres, thus urgently demands some leadership for the development of Fighter 90. In a five-nation program this is even more important with respect to efficiency than in a bilateral one, he says. With respect to the design of the Fighter 90, Valieres advocated a small, tightly controlled team of engineers (preferably, of course, under the leadership of a Frenchman), which is to work until the aircraft design can be locked in --additional work will then be transferred to the participating companies. The basis for a similar cooperation is obviously the confidence between all participants, in particular the three principal countries Great Britain, France and Germany. Less favored--since they are ineffective--are personnel-intensive management structures on the sides of both government authorities and industry. In general the words "efficient program implementation" were heard very often during visits by WEHRTECHNIK editors to some French companies.

"A strong leadership is a necessity"--this was also emphasized to WEHRTECHNIK by the head of the Tactical Missile Division of Aerospatiale, Michel Allier,

with respect to future joint missile programs. For the ANS the system leadership falls to Aerospatiale, for the third-generation anti-tank missiles it is divided between the three participating firms. "Despite leadership by one company, however, there must be an exchange of technology." And--a very important point in cooperations: "One cannot be a partner if one is not at the same time able to compete in the same sector with other systems."

Evaluation of the Cooperation Solutions

Pilot nation solution	Integration solution	Cooperation solution
Advantages:	Advantages:	Advantages:
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Tight management	Balanced influence on the program is possible for each participant	Each nation can complete the project most freely in accordance with its own management regulations
The solution with the least amount of personnel personnel	Complete information is guaranteed for all participants	Nationally arising need for technical changes can be put into effect most easily
Implementation according to the regulation of a state authority	Good prerequisite for a standard solution	Potential priority aspects from the national weapons industry can be taken into account earlier
	Use of existing experience in all countries	
	Good transition to a joint utilization phase	
Disadvantages:	Disadvantages:	Disadvantages:
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Danger of favoring the partner not in charge	More personnel-intensive than pilot solution	Cumbersome decision processes resulting in:
Development goals must to the greatest extent be defined before beginning	Special organization must be created	Prolonged development periods
Personnel costs for the executive authority are higher than for the partners	Personnel must be transferred abroad	Higher costs
Executive authority carries all administrative burdens		The otherwise maximum measure of standardization may not be achieved in some instances
		Parallel work is not excluded

It might further be noted that all German-French projects so far have been bilingual. Admittedly, this requires greater use of interpreters and translators, but on the other hand each participant can express himself in his own language in the negotiations. There are thus no disadvantages for non-English-speaking partners, as in the TORNADO program.

Germany as Buyer

The export to Germany of weapons goods and assemblies, mainly equipment parts, made in France is not a direct form of cooperation, because the work is not shared. The export is much smaller in the opposite direction.

In order to improve the marketing opportunities for their civilian as well as military goods on the German market, some French companies are represented in Germany, and have been for years, by their own firms or at least through liaison offices. (See the Report "French Cooperation Partners".)

The goal for these firms or representative offices is of course to sell French goods in Germany, but in addition to that--and becoming increasingly more important--the objective is to initiate cooperation with German companies. Orders from the Federal Armed Forces are in great demand in France, especially since last year when the French arms export experienced a great decline, and the future does not look rosy because of financial difficulties in the Third-World nations intended as customers.

All French firms are advised to seek out German enterprises as partners for licensed production in Germany--the simple purchase solution is likely to be a thing of the past, at least for larger numbers of units. Thus, Matra intends to have the support of a domestic partner when marketing its SATCP/MISTRAL anti-fighter missile in Germany--what company that will be could not be ascertained from Matra.

More success was enjoyed by Daimler Benz, of whose cross-country vehicle the French forces have ordered 15,000 units in a Frenchified P 4 version by Peugeot. At present final assembly of 100 units a month is under way at Peugeot; 53 % of the subassemblies (body, power plant) of the P 4 is being produced in France. Peugeot developed several versions of the P 4 including a lightly armored one. Export of the P 4 is possible.

But mention should also be made of the French enterprise CEFA, affiliated with the Kaiserslautern company EWK-Goepfner, which developed the amphibious bridge AMBIDROM for the French Armed Forces. This amphibious vehicle, which was conceived by French General Gillois, is presently being tested by the troops.

In general the desire by German companies to export to France is opposed by the French effort for independence--a policy by the French government aimed somewhat more toward mutual cooperation would be very desirable in this area.

The BPFA

On the government side the missile programs MILAN, HOT and ROLAND, which have been so successful financially above all for the participating industries in Germany and France, are headed by the German-French Bureau of French-German Programs (BPFA) as executive authority. This BPFA, headquartered in Rueil-Malmaison, about 6 kilometers west of Paris in the former Atelier de Puteaux, was initially responsible only for MILAN, HOT and ROLAND 1, while the German-French program office created simultaneously in Ottobrunn headed the all-weather version ROLAND 2. With technology having been foremost during the development phase, the functions of the BPFA were expanded, in accordance with another agreement in March 1977, to include series production, procurement and price negotiations, while at the same time the BPFA became responsible for all programs and the DFPB became an outside agency of the BPFA.

The BPFA with about 80 persons is today headed by both a French and a German director--Engineer, Gen of Armament Maurice Meunier and managing construction director, Diplomat Engineer Wolf-Ruediger Petereit--and split into three program divisions and one department of agreements and finances. Cooperation in the BPFA has turned out very well; both languages are equal and, happily, not all positions are doubly filled--even as high up as the top of BPFA, since the directors and program division leaders also have certain national functions.

The BPFA implements the decisions of the steering committees, first a "joint" steering committee responsible for overall program issues, and second the three steering committees for the missile programs.

Since the beginning of 1983 a Trilateral Program Bureau [BTP], with participation by the British in the third-generation anti-tank missile systems under development, has been situated next to the BPFA on the same grounds. At the moment 9 Britons and 12 Frenchmen and Germans are appointed to this BTP, and for certain functions it relies on the BPFA.

For the future one may hope that the BPFA's experiences with the missile programs, gathered in the course of more than 10 years, will be used for other German-French programs as well.

Just how well the German-French arms cooperation has succeeded and what projects, often in European cooperation arrangements, remain will be shown by the following enumeration of important cooperation programs. In so doing it also becomes clear that in France the German companies have a naturally preferred partner--for example it is almost possible to speak of a "marriage" between Aerospatiale and MBB--but other than that the cooperations depend heavily on government wishes.

It should also be mentioned first that the cooperation between enterprises of the German and French defense industries is not limited exclusively to weapons projects. The perhaps largest German-French joint project--with other

nations participating--is the AIRBUS program with the two A-300 and A-310 types, and meanwhile the starting shot for the smaller 150-seat A-320 has gone within the companies. In the space sector as well there is cooperation across the Rhine, in particular once again between MBB and Aerospatiale for joint development, production and sales of telecommunications satellites.

ALPHA JET

This German-French trainer and short-range air support aircraft with France as pilot nation still attracts favorable interest in Germany (175 aircraft delivered) and France (176 on order, still under production) as well as abroad, so that up to now a total of 500 orders have been submitted by a total of 10 nations, largely with France as the exporter. In Egypt the ALPHA JET is manufactured under license. Dornier with its airframe structure share is represented on all exported ALPHA JETS, but the German equipment industry is not.

Rapid Land Mine Clearing Equipment

A German-French government agreement, concluded as early as August 1972, is in existence for the development of a rapid land mine clearing device LSM. The LSM that is now in its development phase was finally selected from a multitude of technical proposals: In front of an armored vehicle a horizontally turning axle equipped with percussion studs is attached. This lifts up the soil at an oblique forward angle and throws aside any mines that are hidden in the ground. Following vehicles can then pass over this mine-free track. On the French side the AMX-30 is to be employed as mounting vehicle, in Germany the M-48. The German development company is Krupp-MaK.

MILAN, HOT and ROLAND

These German-French cooperation programs (Great Britain has for some years been yet another partner in MILAN for licensed production and combat improvement measures) with the BPFA as executive authority and Euromissile as principal supplier, are chiefly being continued for export to third countries. MILAN and HOT will receive a larger, more powerful warhead and will be equipped with night vision sights (the MILAN is developed as the MIRA by TRT, Marconi and Siemens in the German-French-British cooperation). ROLAND will be further developed--for the present still with company funds--for a range extended from 6 to 8 km. The planned equipment of the Air Force target defense at German and U. S. air bases in Germany provides for the acquisition of 95 systems--plus another potential 20 for the Navy.

The German-French guided missiles account for about 50 % of the 7-billion-franc turnover for the Tactical Missile Division of Aerospatiale, and for the corresponding UA division at MBB it is even 80 % (if the AIRBUS and space activities in cooperation with France are also included, the German-French cooperation accounts for more than 50 % of the total MBB turnover).

Third-Generation Anti-Tank Missiles

For third-generation anti-tank missiles the German-French cooperation was expanded to include the partner Great Britain. The Trilateral Program Bureau (BTP) functions as implementing authority. Principal supplier is Euromissile Dynamics (EMDG), as a subsidiary of Aerospatiale, MBB and British Aerospace. The development responsibility of the industry was divided in the following manner: BAe for the longer-range missile (almost a HOT successor), Aerospatiale for the intermediate-range missile (MILAN successor) and MBB for the launch facilities. Along with the missiles, the night vision is also to be developed. Additional German, French and British companies participate in all programs.

PAH-2/HAP/HAC

On 25 November the defense minister issued guidelines for the arms directors, so that the foundations for a joint development phase for the future anti-tank helicopter PAH-2 could be defined. In December the German and French industries were given the framework specifications with the development goals during a large meeting at the Defense Ministry--the industry now has a certain freedom to produce a design for the PAH in the proposals to be submitted by March. By so doing the government agencies are hoping for a cost saving in development and production--efforts are made to set a fixed price for the development. The government agreement for the joint development phase is to be prepared by April, so that the development phase itself can be initiated in Parliament perhaps in the summer.

The general supplier will be MBB, and Germany will be the pilot nation with the BWB as implementing authority. At the moment a forceful project team with experience from the PAH-1 program is being put together there. Since officials and soldiers from the defense department and the Air Force operations staff (which has responsibility for the Army's flying equipment) know the PAH-1 program and have headed the year-long PAH-2 negotiations with France, rapid implementation of the program should be assured, contrary to many fears by the German industry and from France. MBB will delegate tasks for the French versions HAP and HAC to Aerospatiale. The MTM 385 power plant with between 875 and 900 KW power and an integrated reduction gear will be jointly developed by MTU and Turbomeca on a direct order from the BWB; for this the firms have founded the MTM management company.

The helicopter should weigh about 4.7 to 5 tons--no exact weight is indicated in the framework specifications. These specifications depend quite heavily on the PAH-2 proposal submitted by the industry last year. One is aiming, at least on the German side, for a certain commonality with the planned light transport helicopter (LTH), which should be possible primarily in the component sector (for example power plant capacity increase to between 1,000 and 1,100 KW) and the equipment sector. The LTH itself may have a takeoff weight of 7 to 8 tons. With these common features one hopes to save between DM 1 and 2 billion in the lifetime costs of the two systems for the Federal Armed Forces. The division of labor between MBB and Aerospatiale has not

been fixed in detail yet--the governments anticipate, however, that the work will be quantitatively as well as qualitatively divided between the two nations in the areas of airframe, power plant and equipment. That ought somewhat to calm the German equipment industry, which fears a French domination in their fields because of experience from the AIRBUS and ALPHA JET.

WEHRTECHNIK reported extensively on the design of the PAH-2 in the 7/83 issue, page 11: twin-engined, cockpit with seats arranged in tandem, integrated night vision. The 212 PAH-2 which is waiting to be introduced into the Army after 1993 will initially receive eight improved HOT anti-tank missiles and four STINGER air-to-air guided missiles for self-defense; after 1995 the HOT will be replaced by the PARS 3. On the French side 75 Support and Defense Helicopters (HAP) with 30-mm cannon and Matra MISTRAL missiles will be initially be acquired after 1991, and after 1995 140 Anti-Tank Helicopters (HAC) with third generation anti-tank missiles will follow--both versions with roof-mounted sight, in contrast to the German PAH-2 version (nose sight). The HAP is to fly air escort for the HAC; it was moved up in time so that it can still be deployed together with the French PAH-1 GAZELLE. However, despite the HAP's being moved up, the HAC still has priority. It is to be used in the framework of the French rapid deployment troops. These Forces d'Action Rapide are also to be able to fight without air support, which is why the HAP is to be an air escort.

The night vision equipment, which has long been a source of controversy between Germany and France, is not part of the German-French PAH-2 agreement. Germany will introduce the common-module-based U. S. TADS/PNVS system, unless the European industry led by Aerospatiale and MBB by that time has developed a system with its own funds (called Eurovisionic), which on the one hand is at least the equivalent of the TADS/PNVS, and on the other must be no more expensive than the U. S. device despite the "reimbursement" of the development costs included in the series price. The industry has accepted this enormous challenge; it wants to prove that similar technologically advanced development is possible in Europe as well. Although the German Defense Ministry is not prepared to support this night vision development necessary for deployment of the anti-tank missiles financially, arms director Karl Helmut Schnell, in speaking to WEHRTECHNIK, anxiously wished for the realization of this industrial development. It has not yet been decided on what technologies and components the Eurovisionic will be based. Available are the modular night vision concepts SMT (Thermal Modular System) from France, TED (Tom Elliot Detector) from Great Britain and perhaps the Common Modules from the United States. The decision about this will be taken trilaterally in the PARS-3 program. Since there is a close connection between the PAH-2/HAC and the long range of the PARS-3 missiles as its armament, only a night vision concept can be acceptable. Thus, it is also assured that by developing the PARS-3 night vision technology the companies will have certain costs for the PAH-2's night vision technology financed by the governments. It should not be disturbing that the British are a third partner in the PARS-3 program, since Great Britain has announced its intention sooner or later to join the PAH project. The British demands for this helicopter should largely correspond with the French ones.

ANS Anti-Ship Missile

At present the German-French agreement for the definition of a supersonic anti-ship missile ANS (Anti-Navires Supersonique) with up to 200 km range is underwritten by the ministries. This EXOCET successor was originally conceived as an Anti-Surface-Ship Missile NATO project--Aerospatiale, MBB and British Aerospace had already founded Anti-Ship Euromissile (ASEM) for that purpose. But since the trilateral cooperation turned into a "tower of Babel construction" (Allier), it soon failed. Subsequently Aerospatiale undertook its own development steps. Although the company could have completed the project by itself, Allier offered MBB a cooperation for a joint pre-development phase headed by Aerospatiale.

MBB participates in the project with 40 % of the costs. The company is responsible for the power plant (boron-based fixed ram jet engine) and the warhead. The first test shots are to take place in 1985/86, and at that time the governments must also decide about entering the development phase. A few problems must be solved by then: low-level flying at Mach 2 at a few meters altitude above the sea (sea skimming), proof of the operational readiness of the boron fixed ram jet engine (it has a higher specific impuls than the kerosene-ram jet engine developed by Aerospatiale as an alternative, as has the air-to ground missile ASMP) and proof of performance of the warhead in hitting a ship's side at Mach 2.

Fighter 90

This, perhaps the most ambitious European program after the TORNADO, for which in mid-December the Air Force chiefs of Great Britain, France, Spain, Italy and the FRG passed the framework requirements, is in the focal point of interest for the European aviation and space flight industry, not only for the airframe companies, but also for the engine manufacturers and equipment producers. Bringing all of them under one roof is likely to cost a great deal of effort--many see failure already built into the large number of nations clamoring for as much equality as possible. A lack of development funds on the German side, various concepts of the form of management most suitable for such a program, views which are often incompatible between industry and the government weapons sector, divergent ideas about standardization in the weapons sector with aircraft now under production, efforts to dominate by some companies, export interests, national characteristics and independence efforts in the technological sector, combining the national demonstrator programs (in France the ACX, jointly financed by the defense department and Dassault; in Great Britain with government support, but not, at the initiative of the Royal Air Force, the ADA with BAe, MBB and Aeritalia as partners) with the Fighter 90 development--all of this and even more constitutes more than enough material for conflict. Even if the arms directors of the abovementioned nations come to an agreement by April--on the German side Defense Minister Dr Woerner will decide before the summer recess whether to take his proposal to Parliament--it will still be a long time before the final starting shot.

It remains to be hoped that not every weapons part will have to be developed from scratch, and that at least the three TORNADO partners will remember the experience gathered in that program and not make the same mistakes again, such as too large an international program office, no fixed development costs, development of a new power plant without a certain lead time before the aircraft etc. For example, does a completely new power plant have to be developed, or can the RB 199 be used as basis? The new technologies embarked upon in the last few years should lead to a 15-20 % lighter engine, according to company calculations; this would simultaneously reduce production costs and operating costs. Meanwhile, discussions are under way, in part quite intensively, between Rolls-Royce, MTU and SNECMA. Nevertheless, the market promises a great deal, since the countries are calculating with the following target plans: Germany 250, France 200, Great Britain 150+, Spain and Italy 100 aircraft each.

It is striking how fast the French air force conformed to the European harmony--perhaps after a political hint. Even the initially desired close air support feature of the fighter was given up. This and other, to some extent surprising, steps by the French side nourishes the suspicion of some non-French firms that France wants to cooperate in the beginning, in order later to spin off its own versions from the joint aircraft: a successor to the ETENDARD for its Navy and a light close air support aircraft for export, etc.

It is known that all the participating companies are prepared to cooperate. Naturally, every enterprise sees itself as the "leading" one, to which the project leadership will fall. But what role the firms will in turn play in the program will largely be determined by the national armament authorities. A period of "shadow boxing" by the industrial companies can be expected, however.

It remains to be hoped that the surprisingly rapid success in uniting the five air forces will have given the program sufficient momentum, despite all the obstacles which must be anticipated.

Remotely Piloted Vehicles

In this area there are already contacts on the industrial level, anticipating a cooperation planned for this year on the official level. Thus, MBB, Bremen and Matra have concluded a cooperation agreement for a remotely piloted reconnaissance vehicle. Preliminary work at MBB is the RPV TUCAN and at Matra, selected by the French government for the development of RPV's, the SCORPION, which is now ready for flight testing.

The joint design under the description of BREVEL (after the headquarters of the companies in Bremen and Velizy) has already been submitted to the governments. It is strongly based on TUCAN. Dornier is also holding talks with French companies.

ATLANTIC

At the moment Dassault is developing an improved version, primarily as regards the electronic equipment, of the ATLANTIC for the French naval fliers. So far two prototypes are flying, and introduction of the machine called ATLANTIC 2 is anticipated in 1988. The cooperation partners from the old European ATLANTIC program are to participate in manufacturing the aircraft--perhaps 36 of them--for the French Navy; in Germany this would mainly be Dornier. France is of course hoping that the German Navy will also decide on ATLANTIC 2 as the successor to the existing ATLANTIC--the introduction should take place about the beginning of the 1990's. The competitor would be the Lockheed's improved P-3 ORION.

HAWK

A long cooperation with France and other European partners is also in existence for the anti-aircraft missile system HAWK, developed in the United States but then produced in Europe under license headed by Thomson-CSF. The HAWK improvement program was also carried out in a European-U. S. cooperation, and the HAWK Product Improvement Program PIP, which was successfully completed last year, went to the companies Thomson-CSF and MBB, which founded the French company GRIP for this order. Although GRIP has no additional orders at the moment, the company is to be retained and concentrate on further improvements in the combat capability of the HAWK.

Intermediate Anti-Aircraft Missile System MFS/SA-90

In Germany MBB, Siemens and AEG-Telefunken have for years been working with and without orders from the Defense Ministry on an intermediate anti-aircraft missile system, once known as MIFLA or--in cooperation with France and Great Britain--TRISAM, and now as MFS-90, MFS-2000 or recently only as MFS. The HAWKS are to be replaced with the MFS in about the year 2000. Negotiations in a similar direction (HAWK successors and perhaps CROTALE/ROLAND replacement for airport protection) have been under way for a long time in France. In mid-1983 a concept phase was initiated for a system called FA-90, one-third of which is financed by the French Defense Ministry, by the principal supplier Thomson-CSF and by joint supplier Aerospatiale, Tactical Missile Division. In addition to the system leadership, Thomson-CSF is responsible for the command post with 3D-Phased-Array-Radar, Aerospatiale for the vertical-takeoff missile as well as launching equipment. The ship-supported anti-aircraft rocket system SAN (Surface-Air Naval) will contain as many parts as possible in common with the SA-90, which will be developed in parallel.

The SA-90 command post can follow several targets at once with the radar and can assign the missile launchers their targets. More than 12 targets can be engaged at the same time with missile launch intervals of about one second. The range of the missile, which weighs about 300 to 400 kg and has an active radar target-seeker and air-breathing ram-jet engine, is about 20 to 25 km according to altitude--more is not desired primarily because the electronic threat of the 1990's limits the radar range. The SA-90 is to be used to

attack aircraft coming in individually or in groups, with or without electronic interference, but also to repel laser-guided bombs and remote missiles.

For this purpose it has a new guidance system called PIFFPAFF, which enables maneuvering capabilities of 40 to 50 g. Under normal flying conditions the missile is aerodynamically guided as usual, but in the final flying phase a new type of component force guidance system (pilotage en force), which functions at the center of gravity, is used briefly (because of the high fuel consumption).

SAN, being the national continuation of the extinct NATO-6S project to defend against sea skimmers and anti-radar missiles, will have a smaller missile, but also an active radar target-seeker and proximity fuse, as well as vertical launch. The combat range is to be between 2 and 5 km, and radar range about 15 km.

By 1986 the functions of certain critical components must be proven in tests. At that time the French government expects a detailed company proposal.

Meanwhile, talks about cooperation are under way with Germany on the industrial as well as the government level. The French companies thus presented the SA-90 concept to a German-French government group. Responsible company leaders at Thomson-CSF--Jean-Francois Briand--and Aerospatiale--Michel Allier--stated to WEHRTECHNIK that they are very hopeful regarding future cooperation in Germany.

11949

CSO: 3620/168

DEBATE HEATS UP OVER NEED TO TIGHTEN ARMS EXPORT CONTROLS

Helsinki HUFVUDSTADSBLADET in Swedish 31 Jan 84 p 14

[Text] Finland lacks a consistent arms export policy. Firms that apply for an arms export license at present usually get it, whereas it is quite exceptional for the minister to refuse to grant a license for exports. Arms exports from Finland are still small--less than 1 percent of our total exports--but since the mid-1970's they have increased considerably. Finland exports arms worth about 100 million marks annually, according to an estimate by a research team appointed by the Peace Association, which has also studied arms exports.

The frequent justification for arms exports is that we need to manufacture some weapons of our own and must be able to export in order to utilize our excess capacity. The members of the research team say they can accept that argument to some extent, but what they would like to see are clear export regulations.

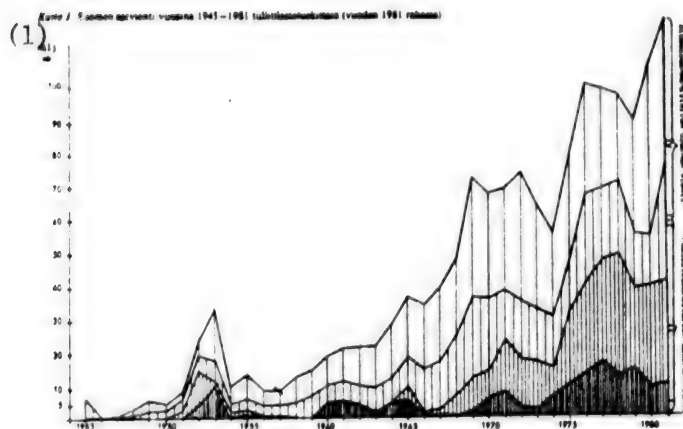
"The problem of arms exports cannot be solved simply by either banning or permitting them: it is a matter of formulating political, military, and economic objectives for arms exports and for limiting them."

Defining what constitutes arms exports is not a clear-cut matter, and few studies of Finnish arms exports have been made. The Ministry of Defense appointed a task force to survey arms exports, and its report criticizes the report by the Peace Association's research team as being superficial.

Half Is War Materiel

The Defense Ministry's task force and the Peace Association's research team used different criteria in defining arms exports. The research team based its definition solely on customs statistics, which also include exports of items not used directly for military purposes. The Defense Ministry's task force attempted to isolate arms exports for military purposes.

The research team calculates that of the 100 million marks worth of arms exports, just over half is war materiel. It points out that in its report, it tried to present a picture of the historical development of our arms exports and stimulate a discussion of the basis for those exports. It is seeking an overall picture of those exports and a consistent policy governing them.



The graph presents an overall picture of how our arms exports have increased. The various classes [indicated by Roman numerals in the right-hand margin] are based on customs statistics. The amounts are shown in 1981 money values.

Key:

1. Millions of Finnish marks

The Defense Ministry's task force estimates that arms exports provide employment for between 250 and 350 people. That is relatively few people, and they are employed by big firms that have many product lines, says the research team. They could be otherwise employed in the same firms if a structural change were undertaken.

The researchers feel that jobs are no justification for arms exports and that business economics should not justify them, either. If it is not possible to ban arms exports altogether, the justification for them should be Finland's defense policy requirements, and the export goal ought to be one that is acceptable from the standpoint of foreign policy.

The researchers emphasize that this does not mean that everything ought to continue the way it is now, but that we ought to have a clear goal from the standpoint of peace policy and try to keep arms exports at as low a level as possible.

The government currently has a rule that it does not allow arms exports to areas where there is a crisis. But, the researchers point out, what this means is that the only thing limiting exports is the ineligibility of the receiving country.

The restriction applies when there are special reasons for it from the standpoint of foreign policy, but we have no general rules restricting arms exports. What generally happens today is that arms can be exported if there is no special reason to ban their export. The research team feels that instead, we should reverse the whole situation and allow exports only if there is a special reason to do so.

The research team feels that it is still possible to put a stop to our arms exports without excessive cost before they grow too large. If all the electronics and know-how that go along with arms exports are added in, the figures far exceed 100 million marks already.

11798

CSO: 3650/119

GASOLINE IN CONTINGENCY RESERVE FOUND TO HAVE EXCESS LEAD

Stockholm DAGENS NYHETER in Swedish 26 Jan 84 p 17

[Article by Thomas Michelsen: "Leaded Gasoline in Contingency Reserve Cannot Be Used in Urban Areas"]

[Text] The public welfare authorities flatly rejected the proposal to use contingency reserve gasoline of high lead content in urban areas. "The gas must not be used on crowded streets where many people would breathe the exhaust," says Elisabeth Erwall of the public welfare office.

As reported yesterday in DAGENS NYHETER, oil companies think that the gasoline must be used precisely in the metropolitan areas, for only here is consumption high enough. If it were distributed in rural areas, it would take too long to use up the gas from the contingency reserve.

Mixing

One way around the problem would be to mix the reserve gas that has excess lead with unleaded gas. The lead content could thus be reduced from the 0.7 grams per liter in the reserve gas to the presently allowed ratio of 0.15 grams per liter.

Says Hans Bjurling of OK [National Association of Swedish Oil Consumers]: "We've discussed the possibility of mixing the reserve gas with unleaded gas. Starting some time this spring, we can supply unleaded gasoline from our refinery at Brofjorden, Scanraff."

"But many problems need to be solved. There are, for example, very large quantities to be handled. To meet today's legal lead ratio, 400,000 cubic meters of unleaded gas will have to be mixed with the 100,000 cubic meters of leaded reserve gas," explains Bjurling.

"For this, the reserve gas would have to be transported to a large depot where it could be mixed before being distributed," adds Bjurling.

Remote

Roland Jarsin of Swedish BP [British Petroleum] also stresses the major practical problems of mixing the contingency reserve gasoline with unleaded gasoline:

"If 94-octane reserve gas with a lead content of 0.7 grams per liter is mixed with 92-octane unleaded gas in a 1-to-5 ratio, the resultant mixture would be 93-octane regular containing 0.15 grams of lead per liter. We can produce unleaded gasoline for this purpose at our refinery in Gothenburg in a short time."

He adds: "But the problems are in handling and storing it. The reserve depots are located in remote areas. It would be expensive to transport the leaded gas from there and then take the unleaded gas back again. I don't think the storage tanks are sufficient either."

9992

CSO: 3650/112

SURVEY OF 1983 TRADE DEFICIT

Nicosia KHARAVGI in Greek 26 Jan 84 pp 1, 7

/Text/ The trade deficit for 1983 is estimated at 383 million Cypriot pounds compared to 313 million in 1982. Imports increased by 1.4 percent while exports of Cypriot products declined. Between January and November 1983 exports reached 176.3 million pounds compared to 204.9 million in 1982.

The above data were reported yesterday by Minister of Commerce and Industry G. Andreou during a speech on the balance of payments to the Rotarian Club. Andreou said: "One of the basic reasons for the increase in the trade deficit is the rapid increase of imports, especially of oil products which now represent 20 percent of all imports of capital goods and raw materials for the development of our industry. An additional reason for the increase in imports is the need of our expanding tourism. An important role in the continuing increase of imports was played by the increased imports of consumer goods and transportation equipment, especially for private use. The last two categories rose because of the rapid increase of wages and income which took place in the last few years, resulting in an increasing demand for the consumption of imported products. Another reason was the successive rise in the price of the dollar, since a considerable percentage of our imports is determined in dollars."

The Exports

Regarding the situation of exports, the minister of commerce said in part:

"In spite of the fact that our exports made a spectacular progress in the last decade, lately, however, they face certain problems so that they increased at a lower pace or remained stagnant.

"A certain stagnation in the rate of increase of our exports must be attributed basically to the recession in world trade and the political developments in various areas, which have negatively affected the purchasing power of countries such as Libya and Iraq which import mainly processed products from us.

"Another factor which affected adversely our exports was the decline in the competitiveness of our Cypriot products because of the increased production

costs. This factor, in conjunction with increasing competition from countries of the Far East, has reduced the demand for our processed products. Of course, the increase in production costs is not due only to the production factors but also to the structural weaknesses of the Cypriot industry which is unable to exploit economies of scale.

"There has also been a decline in the exports of basic Cypriot products such as ores, cement, potatoes, carrots, shoes, dairy products, currants, etc. Other factors, which in our opinion adversely affected the increase of exports, were the increasing competition in certain markets which buy Cypriot products because of subsidies given by other countries or because illegally and artificially they keep the prices of their products low."

Measures

With regard to the measures taken by the government to deal with the situation, Andreou mentioned the recent increases in custom duties and expressed the hope that:

"In conjunction with other monetary and credit measures taken from time to time by the government, there will be positive effects on the domestic industry, and at the same time they will encourage the increase, differentiation and improvement in our industrial production. Side by side with the protection of domestic industry there will be a decrease in pressures in the balance of trade because of the expected decline in imports.

"With regard to the other part of the problem, that is, the exports, there will be several measures taken which hopefully will help increase our exports. The effort and the goal of the government's policy is the further increase of exports, the differentiation of the structure of our export trade, the preservation of our traditional markets and the finding of new ones."

Finally, the minister reported that a Special Joint Committee from the government, commercial and industrial sectors is currently studying the creation of an agency to promote exports.

7520

CSO: 3521/174

STRUCTURAL IMBALANCES COULD THREATEN RECOVERY

Duesseldorf WIRTSCHAFTSWOCHE in German 27 Jan 84 pp 64-67

[Article by Sigrid Matern-Rehm: "Missed the Train after All?"]

[Text] The economy is picking up slowly and that forces us to be on the alert. It would only be too easy to fail to notice that structural imbalances are preprogramming the next recession. WIRTSCHAFTSWOCHE editor Sigrid Matern-Rehm analyzes the latest economic structure reports on the situation of German industry.

The five leading economic research institutes¹ in recent days submitted the so-called second structural report, an analysis of the German economy's structural development (see the structural report section below).

Structural change as such can be recognized only if we exclude those temporary movements in the economy which are superposed on the development trends in production structures. To be able to base our approach on situations that are comparable in terms of the economy as a whole, we can, first of all, combine several years in a business cycle or, on the other hand, we can in each case contemplate identical phases in the business cycle.

The first structural report was concentrated on the structural development prior to the first oil price crisis (1973-1974) and a comparison of the production structure around 1960 with the situation at the beginning of the 1970's. A phase comparable to these years was not reached again until the end of the 1970's when the recessive tendencies of the first oil price shock had been overcome and when the full utilization of the entire economic production potential once again reached the average level of the years 1970-1973.

The changes in the production structure since the second energy price rise on the other hand are so heavily superposed by the economic downturn that they do not readily signal a lasting structural change. Judging by the capacity utilization in the economy as a whole, the years 1981 and 1982 can be compared to the initial phase after the first oil price shock in 1974-1975, while the year 1980 was still characterized by the aftereffects of the past upswing.

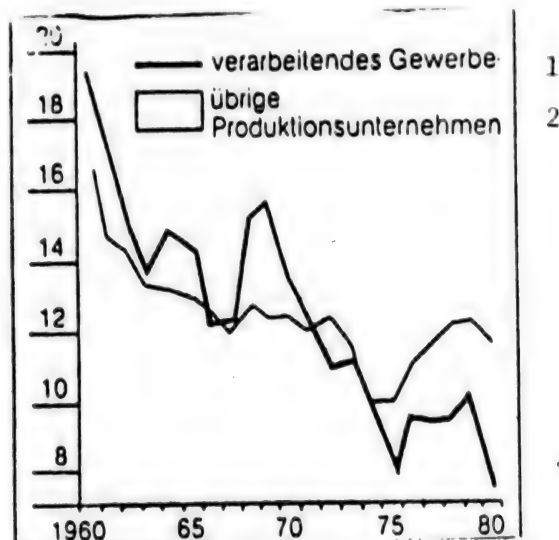
For these comparison intervals, the research institutes first of all in general discovered a shift in the demand structure from commodities to services which above all took place to the detriment of private investments. The share of private investments out of the total domestic demand prior to the first oil crisis was still around 15 percent; but in 1982 it was only 12 percent. On the other hand, during the same span of time, the share of private services rose from 18.4 percent to 21 percent while the share of government services climbed from about 17 percent to 20.3 percent.

In other words: The expansion of the so-called tertiary sector was determined during the 1970's not only by the expansion in the government service supply but also increasingly by service purchases transacted by private households. But this trend cannot readily be extended into the 1980's and cannot be used as basis for forecasts. To the extent that the government continues to push the consolidation of public budgets, the significance of the services offered by the government will decline as a cause of structural change in favor of the tertiary sector. It is also uncertain whether it will be possible correspondingly to increase private investment activities and sales and employment possibilities in the private sector. The question as to the prerequisites for this kind of development is now the center of all reports.

First of all, all experts agree that the presently low investment activity--measured by the proportions of the demand components--impairs the competitive capacity of German enterprises not only in terms of the volume but also in terms of the quality of the entire production machinery. For example, the report from the HWWA [Hamburg Economic Research Institute] makes it clear that the average age of the German capital fund [assets] declined from 16.2 to 12.3 years between 1960 and 1970 (for equipment in the capital fund, from 10.4 to 8 years). This rejuvenation process did not continue during the 1970's.

Because the erection of new production facilities, during this period of time, compared to the improvement and modernization of the existing production potential lost significance, there should really have been a decline in the average age because not as many capital goods with a long lifetime were needed any more. The constancy of the average age--according to the HWWA--therefore must be interpreted as an overage situation and a drop in the degree of modernity.

The decline in the degree of modernity in the processing industry shows to what a slight degree production capital was formed especially in this sector. For example, in 1980, out of the entire national economic savings invested in fixed assets domestically, only 47 percent were used for the formation of production assets in the enterprise sector and, of that figure, 6 percent were used in the processing industry. That is no surprise if one keeps in mind that capital follows the yield. There has been a definite decline in the capital yield especially in the processing industry since 1969, as was calculated by the institute in Kiel (see graph below). The decline here was more pronounced than for the average of the economy as a whole.



Yield decline. Development of capital yield in processing industry and on other production enterprises, 1960-1980 (in percent, excluding apartment rentals). Source: Kiel University World Economy Institute, 1983 Structural Report. Key: 1--Processing industry; 2--Other production enterprises.

The institute in Kiel explains this decline in the light of rising government intervention, especially subsidies, which delay the timely withdrawal of permanent assets from industry branches with a relatively unfavorable yield development. This is why it considers the lower capital yields above all in the processing industry as an indicator for the fact "that the German economy did not make sufficient headway in mastering the structural change that is necessary for growth."

The declining capital yields however are not only the result of government intervention which cover up the necessity for adaptation. They are also the consequence of a declining competitive capacity and thus also of the decline in the growth possibilities of German exports: If we arrange German export commodity groups according to the development of their share in world trade with industrial products, we can find--for the period of 1978-1981, in comparison to the United States and Japan--a heavier concentration on groups with a stagnating or declining share in world trade. This is even clearer if one looks at the development in those production sectors which are considered to have a promising future. The growth of these commodity groups was at least one-third above the growth of trade with industrial products as a whole. Only 7 percent of German industrial commodity exports pertained to these growth sectors while their share out of American exports was 22 percent and the corresponding comparison figure for Japanese exports was 9 percent (see table below).

Slight Increase in Growth Products

Development of Exports of Promising Future Industrial Commodities Compared to the United States, Japan, and Worldwide (in Percent)

Industriegüter nach Bereichen	1	Anteil der Bereiche am Industriegüterexport				Exportzuwachs für die einzelnen Bereiche						3		
		2				1978-1981*						1970-1981**		
		1981				Bundesrepublik	USA	Japan	Welt 5 insgesamt	Japan	USA	Bundesrepublik	USA	Japan
	4													
6	Bürotechnik***	1.90	6.07	1.80	2.59	42.9	100.6	59.4	70.9	4357.8	1263.6	884.0	736.4	Welt 5 insgesamt
7	Autom. Datenverarbeitungsanlagen	1.56	5.65	0.91	2.16	62.0	111.1	113.9	91.3	877.9	1206.6	464.8	869.7	
8	Nachrichtentechnik	1.27	1.48	2.57	1.70	13.5	47.2	84.7	46.1	400.0	311.1	1711.1	556.0	
9	Videogeräte	0.08	0.06	2.63	0.44	160.9	78.4	527.7	454.0	-	-	-	-	
10	Mikroprozessoren	0.28	0.50	0.62	0.62	89.2	62.7	258.1	103.3	-	-	-	-	
11	Elektrische Meß- und Regeltechnik	0.73	2.64	0.40	0.99	36.1	90.6	60.6	68.8	445.3	890.1	783.3	667.1	
12	Luft- und Raumfahrzeuge	2.38	10.52	0.09	3.50	151.0	97.7	132.1	98.0	1961.5	426.9	261.1	560.2	
13	Elektromedizin	0.37	0.64	0.17	0.29	20.8	92.6	132.4	47.4	475.5	1626.3	2410.0	829.7	
14	Anteilssumme der Bereiche	7.01	21.91	8.28	10.13									

Key: 1--Industrial commodities by sector; 2--Share of sectors out of industrial commodity exports; 3--Export increase for individual sectors; 4--FRC; 5--World, total; 6--Office equipment***; 7--Automatic data processing systems; 8--Communications equipments; 9--Video equipment; 10--Micro-processors; 11--Electrical measurement and regulating instruments; 12--Aircraft and space vehicles; 13--Electrical medicine; 14--Utilization sum of sectors; *In percent of 1978; **In percent of 1970; ***Including automatic data processing systems. Source: Munich Economic Research Institute, 1983 Structural Report.

To counter this finding one might argue that the surprising fast and lasting pickup in the balance of trade since 1982 precisely constitutes a good sign of the adaptation and competitive capacity of German exports. However, the real foreign value of the DM declined since 1979 and that clearly shows that the situation is not as good as it looks. Here is what that means: The pick up in the output balance sheet is not an expression of recovery of strength in terms of competitiveness but instead is due to a decline in the price level of German exports--which has been corrected for changes in the rate of exchange--as compared to the price level in foreign competitor countries. In other words: The country's assertion of its position on world markets was purchased at the price of income renunciation. One can therefore speak of competitive strength only if the enterprises expand on markets on which they can earn high and rising real incomes.

Here the important thing consists not only of products that can grow but also of the fact that one must offer the right commodities on the right markets. Here again, German industry is in danger of missing the bus: Into the 1970's the markets of the EC and of the United States were still centers of world trade expansion; but after 1972 there was a shift to OPEC countries and, after 1978, to the Pacific area with Japan and the Asian threshold countries. The German export structure followed this shift in the center of gravity only with respect to the OPEC countries. But there it was impossible to hold on to the market share gains--which had been achieved after the first oil price rise--until 1981. The already small share of shipments to the Far East on the other hand hardly went up at all and Japan and the Asian threshold countries profited from that (see table below).

Shares Lost on Growth Markets

Development of West German Export Markets for Industrial Commodities Compared
(Shares in Percent)

	2 Abnehmer	1 Lieferant		3 Welt		4 Bundes- republik		EG		USA		Japan		5 Übrige Indu- strieländer	
				1972	1981	1972	1981	1972	1981	1972	1981	1972	1981	1972	1981
4	Bundesrepublik			10,1	8,7	0,0	0,0	13,2	11,0	5,5	4,4	3,2	3,9	11,7	14,4
6	Frankreich			6,7	6,6	12,7	12,9	9,8	9,7	3,6	3,3	0,9	1,5	3,7	4,7
7	Großbritannien			7,0	6,3	4,8	6,8	5,2	6,8	5,3	6,1	3,4	3,2	9,7	6,0
8	Italien			4,4	4,3	8,0	8,1	5,8	5,9	2,5	1,9	0,8	0,6	4,5	5,4
9	Belgien			4,2	3,7	7,8	6,9	6,7	6,1	2,3	2,6	1,2	1,0	1,5	1,8
10	Niederlande			4,9	4,3	10,2	8,4	7,3	6,2	2,7	3,4	1,5	1,3	2,8	2,5
11	EG-9 (ohne Griechenland)			39,2	35,8	45,8	45,4	50,4	48,4	22,8	22,5	11,4	11,9	36,8	36,7
	USA			15,6	14,3	9,6	6,8	8,5	6,3	0,0	0,0	31,3	25,6	23,9	19,4
	Japan			3,0	4,0	1,4	1,2	1,1	1,1	7,5	7,0	0,0	0,0	2,0	2,3
12	Restliche Industrieländer			18,8	15,3	28,1	28,0	23,0	20,2	36,7	27,4	12,4	10,2	22,5	16,3
13	Industrieländer			76,6	69,4	79,8	74,3	78,3	71,5	66,1	58,4	54,2	46,7	80,2	71,3
14	Asiatische Schwellenländer			3,3	5,2	1,0	1,4	1,1	1,6	3,9	6,3	11,5	12,9	1,3	2,0
15	Lateinamerikanische Schwellenländer			2,4	2,7	2,3	2,0	1,7	1,6	7,8	11,0	2,4	2,5	1,7	1,7
	OPEC			3,7	8,6	3,3	8,3	3,9	10,1	5,9	10,4	6,6	15,2	2,3	6,9
16	Übrige Ent- wicklungsländer			10,8	10,9	8,5	9,3	11,1	11,9	15,6	14,2	20,2	16,5	8,3	11,2
17	Entwicklungsländer			20,3	27,4	15,0	21,0	17,9	25,1	33,1	41,8	40,7	47,2	13,5	21,8
18	Staatshandels- länder			3,1	3,2	5,2	4,6	3,8	3,4	0,8	1,8	5,1	6,1	6,2	6,9
	WELT			100	100	100	100	100	100	100	100	100	100	100	100

Key: 1--Supplier; 2--Customer; 3--Worldwide; 4--FRG; 5--Other industrial countries; 6--France; 7--Great Britain; 8--Italy; 9--Belgium; 10--The Netherlands; 11--EC-9 (excluding Greece); 12--Remaining industrial countries; 13--Industrial countries; 14--Asian threshold countries; 15--Latin American threshold countries; 16--Other developing countries; 17--Developing countries; 18--Countries with government-controlled trade; EG--EC. Source: Hamburg Economic Research Institute, 1983 Structural Report.

This development should be an occasion for profound thought. If West Germany's enterprises cannot gain a stronger foothold on the world's dynamic markets, then the basis for the German real wage level, which is relatively high when compared to international levels, will be in danger. Increasing sales on already established and stagnating markets would probably be possible only through considerable price cuts. This, by the way, also applies to the German market itself on which German industry lost competitive capacity even more than on export markets according to the Kiel Institute.

In this connection the HWWA points out that the competitive strength of German enterprises in the past resided precisely in the fact that they were able to offer products and especially capital goods with which they were able to prevail over their competitors not so much via the price but via quality. This position can be held only through corresponding efforts and successes in research and development. An indication as to the FRG's position in this respect is given by the Munich Economic Research Institute in its statistics on patent applications. These figures show, for example, that, in the case of so-called key patents (patents which are applied for worldwide at least 15 times), the FRG, in terms of absolute numbers, holds second place after the United States. The comparison of increases in these patents in various Western European countries between 1976 and 1981 as against 1972-1975 however shows that German top-level research has definitely fallen behind.

The Kiel Institute is quite correct in pointing out that not only the technological prerequisites must be present for entrepreneurial initiatives. There must also be chances for their development. The experts in Kiel present a rather sobering picture. Accordingly, an average of about 150,000 enterprises were founded per year and about 155,000 were dissolved between 1970 and 1979. Most of the newly established enterprises did not get beyond the "one-man-operation" phase. Moreover, they were concentrated on traditional sectors, such as commerce of the hotel industry, where the economic risks but also the growth opportunities are not too great. The reasons for this situation, in the opinion of the structural researchers in Kiel, are to be found above all (1) in the insufficient supply of risk capital (2) in tax discrimination against in-house capital financing, and (3) in the restriction of entrepreneurial flexibility through existing labor legislation.

While points (1) and (2) are already subjects of current economic-policy discussion, point (3) continues to be a social-policy taboo. In point of fact however labor legislation in force has about a situation where wage costs have extensively become fixed costs. The Kiel Institute assumes that the risk concentration at the employer's end, which is the result of labor legislation deters many enterprise founders from hiring foreign labor so long as lasting enterprise success does not seem to be secure.

This is one of the reasons for the unsatisfactory situation on the labor market which is analyzed in detail particularly in the reports from the HWWA, the DIW [German Economic Research Institute], and the RWI [Rhenish-Westphalian Economic Research Institute]. The main problem in fighting unemployment still is the structural job gap. This emerges in the light of

the fact that around 900,000 workers were still reported as being unemployed in 1979-1980 in spite of the high degree of permanent asset utilization. "This gap," according to the HWWA, "has grown bigger. Fewer new jobs were created during low investment activities than were saved through rationalization or were eliminated due to the lack of profitability.

This is the depressing result of the development that has been described. It raises this question: Is the employment problem complex after all due to an increase in the release of workers due to rationalization? This is contraindicated by the fact that the rise in labor productivity--which would have to be reflected in manpower savings--is by no means growing stronger but instead reveals a further slowing trend.

Labor productivity for the economy as a whole, measured as the production result per worker, which between 1960 and 1973 had risen an average of 4.2 percent per year, between 1973 and 1979 rose only by 3 percent per year. From 1979 until 1982, labor productivity rose only by 0.8 percent due to the decline in capacity utilization. In this connection the HWWA points out that the employment outlook would by no means be better if there were an even slower trend in the rise of labor productivity. This kind of development one might expect only if, as a result of it, workers, who would otherwise remain unemployed, could be employed due to a cut in wage costs on jobs with low productivity.

These projections however become meaningless due to the lack of flexibility in the wage structure whose consequences regarding employment possibilities and employment levels are interpreted by the Kiel Institute as follows: Because wages are rigid downward, the enterprises adjust to structural change primarily by reducing their personnel force. Of course, gross wages in recent years rose only slowly in real terms and net wages from time to time even declined. But it is not the absolute extent of the wage hike that is decisive when it comes to an improvement in the employment situation. The important thing instead is to make sure that the real wage rise will turn out to be less than the distributable productivity advance. Workers are released especially in those economy sectors in which the rise in labor productivity was not enough to compensate for the wage hikes through which, in other words, the wage rate went up. According to the Kiel researchers, this becomes particularly clear in the development of the employment situation in the processing industry.

A glance at the development in the other production sectors will show us that wage policy can certainly influence the employment situation. In those sectors, rising employment figures were paralleled by declining wage shares. The problem however--as the Kiel Institute emphasized--is not only the high wage level but also the false wage structure. It is above all workers with simple skills who reportedly have become too expensive. This presumably would explain why the rationalization pressure is so heavy here and why one of the main causes of unemployment is to be found especially in these sectors. A lack of flexibility is alleged to exist also in another respect: The occupational and regional mobility of workers is supposed to be too little.

Against this background, the job balance sheet in the DIW report also emerges in more relative terms. The institute in Berlin points out that, in 1982, with 21.4 million jobs, there were actually 3 million jobs less available than in 1972. During the 1960's, on the average, more new jobs were created than were reportedly lost when plants were closed down; on the other hand, the number of jobs newly created since 1972 was no longer sufficient during any year to make up for the reduction in jobs due to the closing of plants. Here is why: Whether and how long a job is considered profitable in entrepreneurial calculations depends, last but not least, on its wage cost burden, including all secondary wage costs connected with that.

Concentration on jobs which, in addition to the actual wage expenditure, must also support a block of about 50 percent of the employment costs as secondary wage costs, appears increasingly to distort the realization of the fact that, in view of West Germany's labor market situation, the important thing is not new jobs but additional employment opportunities.

The Kiel Institute for example emphatically points out that there is no kind of strong empirical evidence for any technological unemployment. This kind of development cannot be evidenced even in industry branches in which production engineering has been converted radically by microelectronics, such, for example, in the printing industry. In other words, it is not technical innovations or productivity advances but rather shrinking markets, import competition, and increasing cost pressure that release workers. The HWWA report emphasizes that it is especially productivity advances that facilitate cost reduction and real wage increases and thus constitute an important basis for the expansion of the demand and of the markets.

Another result of the enterprises is this: There is no lack of potential demand, including consumption demand. By the way--according to the Kiel University World Economy Institute, the growing spread of the underground economy shows that there is generally no lack of demand although there is a lack of demand which can be met through the market at such prices as prevail in the underground economy.

This at the same time is a reference to the question as to how the adaptation bottleneck can be resolved. The underground economy after all is nothing but a valve for the adaptation pressure which obviously cannot be mastered via the market at this time. It is therefore not surprising that all institutes are urging at a reduction or a repulsion of those acts of government intervention, above all subsidies, which presently constitute a burden for flexibility on the commodity and factor markets. The institutes here come up with a clear judgment, in spite of the individual differentiation among them. Support for structurally weak sectors allegedly delayed rather than supported structural change. This is why, for instance, in the opinion of the DIW, it would in particular be necessary to review the maintenance subsidies in favor of agriculture, including the food industry and wholesale trade as well as coal mining. Subsidies and adaptation aid--according to the institutes--should be granted only temporarily.

The pressure and the need for adaptation however can be mastered not only through regulatory-policy review. The RWI is quite correct in pointing out that process-policy rethinking is also necessary. The central problem of process policy--according to the experts in Essen--has been the following dilemma in recent years: Monetary policy, they argue, was overworked in the fight against inflation; it supposedly tried to achieve the lacking consensus of the social groups and the government, regarding inflation-free behavior, through a high interest level going above the fixed-asset yield of the enterprises. Wage policy thus allegedly, so to speak, after the fact and only due to the acceptance of growth losses and employment losses, was forced into behavior that would be approximately in conformity with stability.

This clearly shows that, regardless of structural-policy measures, the key to a forward-looking structural change in the German economy will reside in the distribution-policy consensus of the big social groups.

Structural Report Section

According to the directives issued by the Federal Economy Ministry, the 1980 Structural Report (see WIRTSCHAFTSWOCHE, November 1981) was to be updated from the following viewpoints with the help of the five structural reports plus comprehensive statistical and methodological annexes:

To determine the causes of structural change;

Clearly to describe the reciprocal interaction between structural changes and general economic development;

To bring out the development lines of structural change and

To examine the general economic and structural effects of government subsidies, particularly with respect to their future development.

Structural reporting is a diagnostic aid for structural policy. To that extent it has the same function as the current economic situation report has for current economic policy. In contrast to the latter however it does not have any precise goal definitions. Because it does not have these magnitudes, structural reports cannot give us any information on deviations from the goal and on any wrong developments.

Their advisory function on the other hand consists primarily in supplying information on development conditions and development processes, and much less in analysis and qualification. Structural diagnosis therefore can only represent conditions for certain development processes, describe adaptation processes, point up interrelationships and conditions of dependence, and contemplate consequences. It should and can supply only those items of information on which the policy makers base their judgment, in other words, it should picture for them the consequences of certain structural-policy decisions.

FOOTNOTE

1. DIW (German Economic Research Institute), Berlin; HWWA (Hamburg Economic Research Institute); Ifo (Economic Research Institute), Munich; IfW (Kiel University World Economy Institute); RWI (Rhenish-Westphalian Economic Research Institute), Essen.

5058

CSO: 3620/181

ENVIRONMENT AFFAIRS MINISTER BIONDI ON PROBLEMS, GOALS

Helsinki HUFVUDSTADSBLADET in Swedish 30 Jan 84 p 12

[Article by Annika Winther]

[Text] After the elections in June, the 27 ministers in the Italian Government were joined by a 28th who had just been appointed: he was the country's first and much-longed-for minister of environmental affairs. But the Liberal Party's Alfredo Biondi (formerly minister without portfolio for EEC affairs) was still depressed.

He lacked both a portfolio and a ministry!

"The only green thing I see is the seat of my chair," he told the press, and he threatened to resign if it turned out that "minister of ecology" was only going to be a title.

Now in the works is a new law that will bring the problems of national parks, water conservation, air pollution, illegal construction activity, and the preservation of historical monuments together under a separate ministry of ecology.

On paper, the minister of environmental affairs will have something to say about new power stations and expressways before they are built. And it is about time.

One reason why so little has been done to protect the environment in Italy (a poor reason, but better than none, right?) has been the uncertainty over the limits of local and provincial authority and over which departments in which ministries should assume decisionmaking power in different cases.

In the future, Minister of Environmental Affairs Biondi will have to share the cake in so-called double-decision procedures with the ministers of culture, research, education, industry, and labor.

It will not be clear until this spring who is going to get which pieces.

But the situation is expected to be better than before.

Italian environmental organizations have long been ready with their lists of which laws must be amended first and which areas must be covered immediately

by special laws--to save what can be saved. The development of industry and tourism has been allowed to take precedence over the environment for far too long. The projects that have existed have operated too slowly and ineffectively (and often only after serious disasters have occurred) and with inadequate money and coordination.

Land and Forests Disappearing

Above all else, a land protection law is needed to prevent and control the 3,000 to 4,000 landslides and floods every year that swallow up thousands of hectares all over the country. Not to mention forest fires.

Every year, forest fires consume 1.5 times as much forest as is replaced.

Last summer alone, 45,000 hectares of forest went up in smoke and flames because of the extreme drought in Sardinia, and before the snow arrived in December, forests also burned in Alto Adige (South Tirol). If the fires continue at this rate, in 100 years there will be no forests left in Italy to worry about!

What is needed--after 20 years of debate--is an effective law on national parks. The country has only five such parks, and they cover a trifling 10,000 to 140,000 hectares each. Only 1.5 percent of the national territory is protected by nature conservation measures, compared to between 10 and 20 percent in all the other industrialized European countries (with the exception of Spain, Portugal, and Greece).

Not until 1982 did people also begin to think of marine parks to protect the most beautiful coastal areas and those most valuable from the standpoint of marine biology. The Adriatic Sea is being transformed into a sewer.

"Even the local mayors have demonstrated against the lack of experts with any influence."

Question of Responsibility Unclear

The so-called Merli Law on air and water pollution has turned out to be practically worthless. It lacks clauses on uniform and suitable controls that assign responsibility and specify procedures for proceedings and applications, and it stipulates no serious penalties for offenders. The dioxin disaster in Seveso 7 years ago was a tragic example of the opportunities for local negligence and cheating.

And that is not all.

Lengthy negotiations in Parliament to supplement the law have unfortunately been postponed from government to government.

In the meantime, many petrochemical firms have neglected to install even the purification plants required by law and have suffered no legal consequences.

Legislation on "the preservation of the historical heritage," which dates back to 1939, also needs to be amended if it is to function effectively. Few countries have as many archeological treasures, castles, palaces, churches, and historical centers to preserve as Italy does. Considering the multitude to be financed, the country has done a lot, but even so, it has done too little and done it too haphazardly.

One example of a minor but serious drawback is the fact that most Italian museums (unlike those in the rest of Europe) lack fireproof underground vaults for their priceless art treasures.

Italy Being Paved Over

Ecologists say with some bitterness that their country is being paved over in cement.

Over a period of 30 years, 1 million hectares--one-sixth--of Italy's fertile plains have disappeared and 3 million hectares of agricultural land have been swallowed up by industry and highway construction. In the past 10 years alone, the industrialized areas have grown from 3 million to 5 million hectares (the metropolis of Rome swallows up 3 hectares every year). The amount of arable land per inhabitant (0.3 hectare) is half again as small as it is in France, for example, according to a report by the Environment League which lists the worst ecological sins region by region.

It is also pointed out that Italy holds the European record for unnecessary (and illegal) construction: it has 86 million rooms for 56 million inhabitants! But this does not at all mean that there is room for everybody or that everybody has the room he needs.

In Rome alone, there are 350,000 empty rooms that were built for speculation.

Illegal construction activity is a big problem that was dealt with by Parliament last fall. The result was a decree that "forgives" those who have built without a license provided that they gradually pay fines to the public treasury. The only consolation for the minister of environmental affairs is that summer cottages in the middle of national parks and any plastic verandas on medieval castles will have to be torn down.

Where To Begin?

Alfredo Biondi, who is also a lawyer, declares that he is tired of discussions and that he has read enough reports.

He and the 30 people currently on his staff--most of them young and ambitious--are waiting to get their ministry and to get down to work. The only question is: with how much money (0.5 percent of the budget is really a moderate sum) and where?

This situation is illustrated in part by the minister's recent inspection trip to Naples and the surrounding communes: 80 percent of the buildings were illegal in one way or another.

"Isn't this a matter for the Carabinieri (military police)?" he asked the local administrators.

"Yes, Mr Minister. But their barracks are also illegal!"

11798

CSO: 3650/127

PCB POLLUTION BLAMED FOR DECLINE OF OTTER, SEAL POPULATION

Stockholm DAGENS NYHETER in Swedish 2 Feb 84 p 14

[Article by Lasse Johansson: "PCB Likely Villain in Otter Drama"]

[Text] The dramatic drop in the Swedish otter population is perhaps not due to acidification as thought earlier, but rather to the environmental pollutant PCB in our waterways. Such is the suspicion of the researchers who conducted the 1983 otter count.

For many years in succession, observers have noted that the Swedish otter population was dropping substantially. It was estimated that the otter population in Svealand and Gotaland plummeted from 500 to 200 between 1967 and 1977. This strong reduction prompted the new inventory conducted last year.

Researchers Finn Sandegren and Mats Olsson report the preliminary results of this count in the latest issue of SVENSK JAKT. The article reports that in Sormland traces of otters were discovered in 4 percent of the 356 areas studied. In Smaland otter traces were discovered at 8 percent of 509 sites.

The researchers have examined the presence of environmental pollution in Swedish otters and compared their findings with similar studies conducted in Norway. There is a vigorous otter population in Norway's coastal waters. The high PCB content found in Swedish otters was not at all present in the Norwegian otters.

The researchers report that Swedish otters had PCB content levels that were usually higher than the amounts that are known to impair reproduction in minks.

The two researchers do not believe that any particular disturbance is exercising a decisive influence on the reduction of the otter population. Acidification, for example, could also be a prime factor, since it reduces fish production in nutrient-deficient waters and thus the otters' ability to survive. But the extensive spread of PCB in our waters is strongly suspected of playing a very significant role.

PCB [polychlorinated biphenyl] is a chlorinated hydrocarbon used in the electrical industry to make oils resistant to high temperatures.

PCB has a debilitating effect on the mink--a relation of the otter--and it is also suspected that PCB is responsible for the uterine adhesions in the ringed seals and gray seals in the Baltic Sea.

9992

CSO: 3650/112

COMMITMENT TO ENVIRONMENTAL CAUSES DECLINING

Stockholm DAGENS NYHETER in Swedish 31 Jan 84 p 2

[Editorial by Carin Stenstrom: "Environmental Struggle Enters New Phase"]

[Text] The 1960s brought a sudden awakening to the problems of the environment. Alarm about air pollution, mercury poisonings and the threat of extinction for some animal species spawned a new popular movement in which environmental groups and committees of concerned citizens worked for an improved living environment. The commitment grew during the 1970s into a widespread shift of opinion against industrial society's ruthless exploitation which was squandering natural resources and wreaking havoc on the earth's ecology.

The concern for the environment gave birth to broad legislation in Sweden. The country's national conservation office was set up in 1967, followed in subsequent years by such important laws as the environmental protection law, laws regulating the sulfur content of heating oils, etc. Major environmental efforts were made in the early 1970s to purify emissions into the air and waters. The attack was directed to the major, highly visible problems and these efforts produced tangible results.

There exists the widespread perception that the gravest environmental problems are now under control and threats have been removed. It is a deceptive illusion. There are more heavy metals and nonbiodegradable substances in the environment than ever before. Air pollution and other emissions have caused heavy acidification of forests, soil and water.

A report to the committee on natural resources and the environment evaluates the work for environmental protection in Sweden during the 1970s. Its authors, Goran Vorby and Ulf Karlstrom, note that politicians and the public frequently are given a distorted and incomplete picture of the real situation. Many environmental problems are not generally known outside a tiny circle.

The major fault with environmental protection, the two writers maintain, is that the cooperation between authorities and polluters of the environment is not based on equality. It is the industries and other polluters that furnish the basis for decision making, grant information on emission types and proposals for measures.

The businesses often have expert consultants and lawyers to assist them. It is difficult for the authorities to access the documents and nearly impossible to discover whether vital information is being omitted.

A second hindrance to effective effort is a matter of organization. The office responsible for environmental questions is often set up around older offices and functions without any effective coordination. Important overlapping questions in practice fall to different departments. Routine matters consume a large portion of the work, while there is little scope for new initiatives and aggressive effort.

The writers assert that the resources available to environmental protection are small in comparison with those invested in other areas. But they stress that the shortage of resources is not the most serious problem. Much more could be done with present resources.

The intensive and at times possibly naive commitment to environmental causes of the 1970s has stagnated. The very number of threats had a jading effect. The problems gradually appeared so vast that we increasingly shut our eyes to them. But only a vital commitment to the environment can keep politicians and the authorities alert and make polluters tow the line. The acidification of the forests is a question that is so concrete and so frightening that it could serve to mobilize the people. Across the country, people are presently involved in charting damages and devising measures. In order to coordinate and intensify efforts, the government is going to create a special action group that will propose steps to curb air pollution, industrial emissions and automobile exhaust gases. This is excellent.

The new phase of environmental work inspired by the fight against acidification should be accompanied by a thorough review and reorganization of society's efforts on behalf of the environment.

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CSO: 3650/112

EUTROPHICATION OF LAKES INCREASING AGAIN

Stockholm DAGENS NYHETER in Swedish 20 Jan 84 p 28

[Article by Lasse Johansson: "Eutrophication of Lakes Continues"]

[Text] In spite of vigorous clean-up efforts in Sweden, the condition of lakes and waterways is bad. Locally, the clean-up has brought about major improvements, but on the whole eutrophication of the lakes continues. This is a finding of the state office of conservation's scientific report on the saturation of the Swedish waterways with nutrients.

MONITOR 1983, as the report is titled, confirms that the investment of billions in the enlargement of the local sewage treatment plants during the 1970s and the regulation of industrial waste emissions brought great progress in many places. Eutrophied lakes with stinking masses of algae and dead fish in the turbid water became a sight that did not disappear for a couple of years. But the effects were restricted only to the areas closest to the emissions. There were no improvements in places farther away from the sewage treatment plants.

Particularly in the agricultural regions of southern Sweden, the superabundance of nutrients is a problem that in many places is at least as serious today as 10 or 20 years ago, the report claims. The intensive fertilizing of the fields is identified as the prime cause of this.

The effects of emissions rich in nutrients into the waterways is continuously measured by the Program for Monitoring Environmental Quality.

MONITOR 1983 reports on the condition of eight waterways: Ronne, Lida, Motala, Ekol in Malar, Atra, Ljusna, Ume and Rane rivers.

Nitrogen and phosphorus are the substances most involved in eutrophy in the waterways. Once a body of water receives more nutrients than usual, the production of algae and animal life increases. This can result in the poisoning of the water or to a lack of oxygen when the destructive bacteria compete for it.

In the case of increased eutrophication, the composition of flora and fauna also changes and there is a decrease in the variety of species.

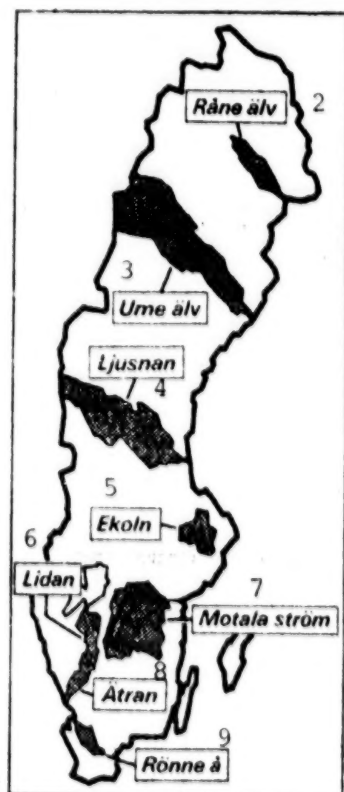
The effects of the clean-up were not as great as had been hoped. Only in certain instances can the result be observed in the total water system, and only in some few waterways is the phosphorus content declining, although the sulfur is being removed from waste water.

The report claims that the nitrogen increase has been even more striking. Except for Ljusna, the nitrogen levels have been rising since the mid-1970s.

During the 1950s and 1960s, the nitrogen fallout in precipitation increased at a high rate because of increased coal and oil combustion. At the same time, artificial fertilizer increased the nitrogen and phosphorus content of the soil.

Despite lower use of commercial fertilizer and reduction of emissions from coal and oil combustion recently, no improvement is to be noted in the waterways. On the contrary, they are worse.

MONITOR 1983 also contains criticism of the current supervision of the lakes receiving the purest waste water: reporting is faulty; it is difficult to get information; and it is hard to evaluate the results of the clean-up measures.



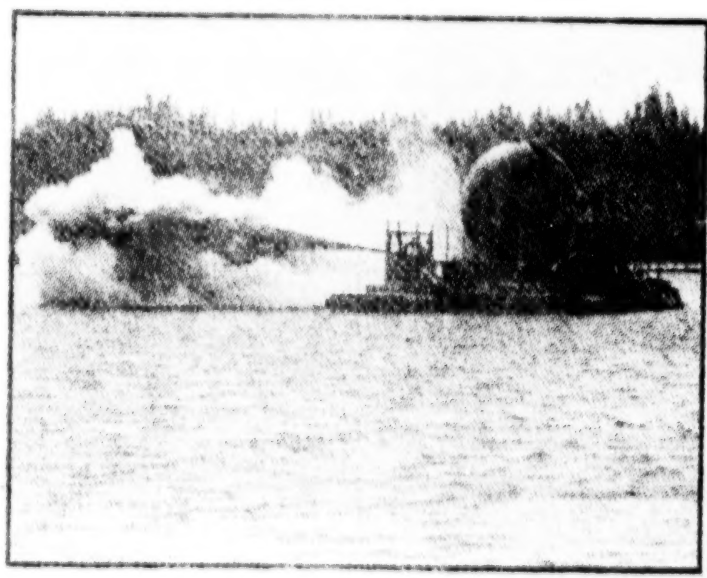
Karta KENT ENSTRÖM

1 Karta visar de områden som undersökts i Monitor 1983.

Key: 1. The map shows the areas studied in MONITOR 1983.

[Names of Waterways]

2. Rane
3. Ume
4. Ljusna
5. Ekoln
6. Lida
7. Motala
8. Atra
9. Ronne



Liming Lake Bok in Dalarna to neutralize the water

(Foto: Soren Karlson)

END OF

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26 March 1984